THE SECTION 8 VOUCHER REFORM ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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THE SECTION 8 VOUCHER REFORM ACT

Friday, March 9, 2007

U.S. House of Representatives,
Subcommittee on Housing and
Community Opportunity,
Committee on Financial Services,
Washington, D.C.

The committee met, pursuant to notice, at 10:27 a.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Present: Representatives Waters, Lynch, Cleaver, Green, Clay, Sires, Ellison, Murphy; Biggert, Shays, Miller, and Capito.

Chairwoman Waters. This hearing of the Subcommittee on Housing and Community Opportunity will come to order.

We are going to allow opening statements for the record, but without objection, all of our members' opening statements will be made a part of the record. We are going to allow 10 minutes on either side.

We do not have an indication from our members over here who wish to have opening statements, but we will allow 2 minutes each, if you wish.

The Chair will yield herself 5 minutes for an opening statement. Good morning, ladies and gentlemen. I want to thank Chairman Frank and Ranking Member Biggert for making sure that this subcommittee hearing was placed on the calendar so early. I also want to thank the other members of the subcommittee who are here today, given the importance of Section 8 Voucher Reform Act issues, and I would like to welcome the new members of the subcommittee. We have not had an opportunity to meet together before.

We have a few members who were present at the hearing that we had in New Orleans, but most of our members have not met in subcommittee before.

As you know, the past several weeks have been busy as the committee sought practical solutions to speed the rebuilding process in the Gulf region.

H.R. 1227, the Gulf Coast Housing Recovery Act of 2007, which the committee passed on Wednesday, is a major step towards assisting the people of the Gulf with their affordable housing needs and in rebuilding their lives.

Today we begin the process of tackling one of the most important Federal housing programs in the Nation.

The Section 8 Voucher Program serves some 2 million households. Last year, I was an original cosponsor of the Section 8 Voucher bill, H.R. 5443, which the committee passed, although the House did not take up the measure.

The Section 8 Voucher Reform Act of 2006 represented the most comprehensive reform to the Section 8 Voucher Program that we have seen in several years.

The major provisions of the voucher bill, including targeting, inspections, tenant rents, and move to work, represented a major step in the direction of reform.

I share this with you because I believe that this year we can pass the Section 8 Voucher Act using a similar strategy, with bipartisan support.

It is important that we move forward on Section 8 voucher reform if for no other reason than to restore our committee's legislative responsibility for the program.

Many important aspects of the program, like the funding formula, have had to be addressed by the appropriators, because we did not reauthorize our own program.

Just a month ago, the funding formula was placed in the continuing resolution, and of course it had not been heard in committee, the subcommittee or the full committee. A program of this importance to communities all over the country needs to be thoroughly scrutinized.

I hope that we can lay the foundation to develop consensus around affordable housing programs that work for the Nation's poor, working families with children, and the elderly, as well as the disabled.

We also must include public housing authorities and HUD by moving a Section 8 voucher reform once it is introduced.

The Section 8 Voucher bill addresses a number of provisions that are important to me. One is the need to improve the mechanisms for inspections of rental units. Most would agree that tenants need protections and that these protections should meet current housing quality standards. The Voucher Reform Act requires inspections every 2 years.

Any time a unit passes inspections related to another Federal program, like the home program, the idea would be to not have to inspect the unit as long as it occurred in the preceding 12 months, saving time and money and making the rental unit available for occupancy as soon as possible, while protecting the health and welfare of the tenant.

This would be a major improvement over current practices.

Another major provision of Section 8 voucher reform is related to rent reform and income reviews. Tenants will not pay more than 30 percent of income for rent. This is essential to ensure that those traditionally served by the program will continue to be served.

We consider incentives for work by allowing income increases of less than 10 percent to be disregarded as well as last year's income.

We also exempt the income of full-time students attending college in income calculations. PHA's would also recertify income every 3 years where the major resource of income is fixed.

Another important aspect of Section 8 voucher reform is the issue of targeting vouchers to those most in need. Under the bill

passed last year, 75 percent of new vouchers would go to families below 30 percent of income. Vouchers would be authorized for the next 5 years.

The bill to be introduced will contain a similar provision. In addition, under current law, medical expenses in excess of 3 percent of a tenant's income for elderly and disabled are deductible for income calculations. The Voucher Reform Act will raise the threshold from 3 percent to 10 percent for the elderly and disabled.

As you know, the CR we just passed included a measure to change the Section 8 funding formula. The CR changed the funding formula to base funding in 2007 using the PHA's most recent verifiable 12-month period of voucher spending based on leasing and cost data.

As a result, the actual voucher allocation would occur annually instead of being based forever on the 2004 allocation formula.

I believe that the voucher reform is so essential to our ability to assist the poor working families with children and the elderly and disabled to have decent, safe, and affordable housing.

Of course, we would all like to fund a voucher program that supported everyone who needs a voucher, but that is not possible. We can make needed improvements to the program while restoring faith in the voucher program for the tenants who are in need of affordable housing as well as for our PHA's.

I hope that my colleagues will support the Section 8 Voucher Act when it is introduced to ensure that these goals are met.

Part of achieving the goal of voucher reform begins with this hearing and the witnesses' testimony. I hope that the witnesses will share their insight on this important issue so that we can begin to reform the program.

At this time, I would like to yield 5 minutes to our ranking member, Congresswoman Biggert, for an opening statement.

Mrs. BIGGERT. Thank you. Thank you, Chairwoman Waters, and I want to welcome all of today's witnesses here, and to thank you, Chairwoman Waters, for holding this important hearing to examine the Section 8 housing choice voucher program.

I think that we on the subcommittee are acutely aware of the many difficult management and budget challenges inherent in this government program. It's my hope that we can take this opportunity to work together as we contemplate the future of Section 8.

While homeownership is a desired goal for all Americans, there are many in today's society that are not yet ready to own their own home, and we must therefore continue to pursue alternatives to make sure that affordable rental housing is available, and we must encourage recipients of rental housing assistance to move towards self-sufficiency and we must make sure that the assistance is there for those who truly need it.

As you know, the Section 8 housing assistance program is the major vehicle for providing rental assistance to low income families and individuals, helping over 2 million low income households, elderly, and disabled persons secure affordable housing in the private market.

This program represents the Nation's largest low income housing assistance program and today's Section 8 program has become the largest component of HUD's budget.

The rising cost of providing rental assistance is due in varying degrees to the expansion of the program, the cost of renewing expiring long-term contracts, and rising costs in housing markets across the country.

The day of reckoning is coming fast. If we do not address the increased costs of this program, it will consume the HUD budget. It is already affecting the funding of other programs within the department. I trust that we can use today's hearing to engage in productive discussions and to help us find common sense solutions to reforming the Section 8 program.

Not a day goes by that I don't talk to a constituent or an organization concerning the problems inherent in this program, such as long waiting lists, lack of affordable Section 8 voucher housing, lack of local program flexibility, and various PHA funding concerns.

The longer we wait to address some of these concerns, the greater the risk is, not just to Section 8 but to other HUD programs that surely will be cut to pay for it.

I hope that we can draft language to address some of the funding shortfalls that occurred as a result of language placed in the most recent continuing resolution.

Over 1,200 public housing authorities, over half of the PHA's in our Nation, including all of those in the Gulf Stream and all of those in my district and at least some in the chairwoman's district will take a hit in fiscal year 2007. The Chicago suburbs are hard hit by this new formula. Each housing authority in all three countries in my Congressional district will receive a funding cut this year. The housing authority and county will lose $8 million. Jolie will lose $1.1 million, Aurora and DuPage will lose over $1 million.

These are not just dollars. These are families and seniors who are being hurt here. With this bill, proposed cuts to Section 8 housing funds, more than 100 families in DuPage County, about 150 in Will County, and thousands across this country will be kicked to the curb in 2007.

With that said, my hope is that we will move this bill through the committee process. We can make modest changes to the voucher funding formula to provide incentives for agencies to operate in an efficient, cost-effective manner while serving the maximum number of low income tenants.

We also should work to modify inspection rules, and to give agencies more flexibility, which will encourage owners to rent to voucher holders and preserve essential tenant protections.

To reduce burdens on agencies, landlords, and tenants, I would support efforts to streamline rent determination and other procedures for the Section 8 program.

Finally, we should promote local incentives that encourage recipients of rental assistance to move towards self-sufficiency.

As we seek ways to improve America's communities and strengthen housing opportunities for all citizens, particularly our poor, I recognize that the issue of reforming programs like Section 8 can be contentious. However, politics is the part of the possible, and I believe that today's hearing is a good first step on the road to reforming this country's largest rental assistance program, Section 8.

Again, I welcome all of today's witnesses and look forward to your testimony.

Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. Thank you, very much.

The gentleman from Massachusetts, Mr. Lynch, is recognized for 2 minutes for an opening statement.

Mr. LYNCH. Thank you, Madam Chairwoman, and Ranking Member Biggert, for holding this hearing. I also want to thank all of the panelists and the under secretary for attending.

I have gone down to New Orleans previously on earlier Code Ls. I did not make that one. But I have the perspective of a former tenant of HUD housing. I grew up in the Old Colony Housing Projects in South Boston with my mom and dad and my five sisters, so I have that bias, as a former tenant.

I must confess also that when I completed law school, I went back to the housing projects and represented tenants, my former neighbors, as free legal counsel on matters of asbestos and lead paid in apartments, people being underhoused.

And by the way, I think that had a lot to do with me getting elected. You never know how many friends you have in this world until you start doing free legal work.

But that being said, I do believe that there's a real struggle in this country about U.S. housing policy, and I think we have greater struggles than we had when I was living there because of the huge disparity in what is earned by the families in many of our housing projects and in Section 8 tenant-based units versus what it might cost them to move to private housing.

I still live—I haven't moved far—two blocks from the housing project that I grew up in, and yet the rents in my area two blocks away are a couple of thousand dollars a month, and that's just beyond the hope and the reach of a lot of families in public housing, and we're going to talk about that hopefully a little bit later on.

The bottom line here is, I think we can do better. I know we can, and we have to, not only in the situation post-Katrina, but also just in our general housing policy.

I respect the people who come here before us today, and I think we could benefit from your counsel, and we could use your help, and I hope we can work in a constructive way to really recognize that the Federal Government does have a rightful place to play in national housing policy, and we want to get to that.

Chairwoman WATERS. The time of the gentleman has expired.

Mr. LYNCH. Thank you. I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from California, Mr. Miller, is recognized for 2 minutes for an opening statement.

Mr. MILLER. Thank you.

Over the years, Congress has grappled with the issue regarding the skyrocketing costs of Section 8 programs, under-used vouchers, and the general management of the program.

The cost of the program is growing so rapidly that HUD's other programs, including public housing, homeless programs, CDBG, Hope VI, and many others are suffering as a result. If Section 8 is to remain viable, we must take steps to reform the program.

During this time of budget constraints, Congress is struggling to renew existing vouchers. As we try to reform this program, we must remain mindful that it is not feasible for the Federal Government to continue to increase funding for the program without enacting meaningful reforms.

The Section 8 program must be implemented in a way that is fiscally responsible. With this goal in mind, in the 109th Congress, I introduced H.R. 1999, the State and Local Housing Flexibility Act of 2005, to help the Section 8 voucher housing program work better and remain available to those in need.

Specifically, this legislation would improve the delivery of housing assistance to families in need by providing flexibility to the local public housing authorities, PHA's, and holding them accountable for results.

Additionally, the legislation would allow PHA's to serve as many families as possible within their grant amount, rather than being held to a specific number of vouchers.

Rather than H.R. 1999, the committee passed a different bill to make changes at the margins of the Section 8 program. While H.R. 5443 made important improvements to the inspection process and income verification process, the bill did not truly address the fundamental weakness in the Section 8 program.

If we pass a bill this year, let us pass one with true reforms, not just one that gives the perception that reform was accomplished. We can do much more than merely provide changes on the margins. We should encourage PHA's to cooperate, and to operate in an efficient, cost-effective manner to serve the maximum number of low income tenants.

For example, eligible PHA's should have a chance to be innovative in their efforts to move families to self-sufficiency. Further, we must address the long list of waiting lines for the Section 8 assistance. The average length of time families spend on the waiting list for subsidized housing in the United States is more than 2 years. In cities like Los Angeles, the waiting list is 10 years.

I undoubtedly must yield back.

Chairwoman WATERS. The time of the gentleman has expired.

We're going to be keeping a very tight schedule today; I know people have planes to catch.

So the gentleman from Missouri, Mr. Cleaver, is recognized for 2 minutes for an opening statement.

Mr. CLEAVER. Thank you, Madam Chairwoman. I will forego any opening comments and have questions later.

Thank you.

Chairwoman WATERS. All right. The Chair will extend additional minutes for those members who are present in the room at this time.

We had originally talked about 10 minutes on each side, and if the ranking member would like, we could expand the gentleman from California's time—

Mr. MILLER. May I finish my comments? That would be great.

Chairwoman WATERS. Yes, you may.

Mr. MILLER. Thank you, very much.

Let's see. I think I know where I'm at.

We should encourage PHA's to operate in an efficient, cost-effective manner to serve the maximum number of low income tenants. For example, eligible PHA's should have the chance to be innovative in their efforts to move families toward self-sufficiency.

Further, we must address the long list of those waiting for Section 8 vouchers. The average length of time that families spend on the waiting list for subsidized housing in the United States is more than 2 years. In cities like Los Angeles, the waiting list is 10 years.

How can we justify a situation where one person is given unlimited Federal housing assistance while another, who might have greater needs, is on the waiting list and forced to fend for themselves for almost 10 years?

The answer is not to allow this program to continue to grow out of control. Rather, we must reform the program so that participants can transition to self-sufficiency within a reasonable period of time, giving more families the ability to benefit from our Nation's temporary helping hand.

I believe we have worked in a positive, bipartisan manner thus far, and I look forward to working with my colleagues on both sides of the aisle on a bill that truly reforms the program.

As we move forward, we must remain mindful that it is not feasible for the Federal Government to continue to increase funding for the program without enacting meaningful reforms. With this goal in mind, we must seek bipartisan ways to make existing housing programs work better and remain available for those in need.

I yield back the balance of my time. Thank you.

Chairwoman WATERS. Thank you.

The gentleman from Texas, Mr. Al Green, is recognized for 2 minutes for an opening statement.

Mr. GREEN. Thank you, Madam Chairwoman. And I thank you for hosting this hearing. It is important. Once again, you have demonstrated your desire to make sure that every person has a place to call home.

Madam Chairwoman, I believe that H.R. 543 is going to prove to be a very important piece of legislation. It will change the funding formula such that the money divided among housing agencies will be fairly divided, such that some will not be shortchanged while others are over-compensated.

It will preserve the income targeting provisions, the 75 percent/30 percent provisions, but it also will have flexibility such that in areas where incomes are unusually low, we will be allowed to use the Federal poverty line, which in some cases may cause additional families to have opportunities, who are indeed still within poverty guidelines.

It will streamline the inspection requirements and cause more landlords to lease. It will expand the existing authority from 30 to 40 for the moving to work agencies. And it will permit a voucher, and this may be most important, to be used for down payment by a first-time home buyer.

We want to give everybody an opportunity to experience the American dream of homeownership.

Madam Chairwoman, I am so honored that you have brought this piece of legislation to our attention, and I believe that it will

help many persons who otherwise would not have an opportunity to have a place to call home.

I yield back the balance of my time.

Chairwoman WATERS. Thank you.

And the gentleman from Connecticut, Mr. Shays, is recognized for 2 minutes.

Mr. SHAYS. Two minutes? Thank you.

Chairwoman WATERS. Yes.

Mr. SHAYS. Thank you, Madam Chairwoman.

First, let me congratulate you on this opportunity to chair what I think is an important committee for Congress, and I know you're going to do a terrific job.

Chairwoman WATERS. Thank you.

Mr. SHAYS. And I'd like to just say to members that we on this side of the aisle have argued for years that we don't want people living in public housing being warehoused, and we've argued that we should participate in the market, and Section 8 vouchers enable you to participate in the market.

The challenge now is that it has become quite expensive because, in a sense, you don't own the property, and so we're having to pay for inflation, whereas when we used to own public housing, we didn't have to deal with the inflation aspect of housing as much.

And so it's just a recognition, I think, on our side of the aisle. We have to recognize that costs will continue to go up.

But our choice was to put people in a place where others might live who have income and have resources and have a young child, for instance, grow up in a unit that's not public housing, but in a unit where he might see someone, like in the case of where I live, go to UBS to work and get in his BMW to drive in to work instead of driving to make sales of drugs.

Bottom line, I believe in Section 8 vouchers. I think we need reform. And I'm happy that we're looking at this issue.

Thank you.

Chairwoman WATERS. Thank you, very much.

I yield to the gentleman from New Jersey, Mr. Sires, 2 minutes.

Mr. SIRES. Thank you, Madam Chairwoman.

Congratulations for holding this hearing. I'm looking forward to working with you on this issue.

Mr. Assistant Secretary, I am a former mayor, and a former speaker of the New Jersey Assembly, and I have to tell you that the housing issue, whether it's Section 8 or any other issue, is probably the number one issue facing people of poor means in American today.

It just seems that they have no place to live. It seems to me that we haven't done anything lately regarding senior housing, or the disabled. And reforms are great, and all of these directions are great, but only if it leads to more opportunity. It just seems that with all of these reforms, we have less and less ability to give people housing.

Just yesterday I received a call from one of the citizens in my district, Jersey City. They have to lay off 34 people because of all the cuts.

People talk about drugs and housing. People talk about the insecurity in housing. But yet we cut the funding for all those places to make it secure.

I don't know whether the intention is to turn it over to the local municipality or the State, but that seems to be the direction we're going. In New Jersey, it got so bad that I, as speaker, had to institute our own Section 8 program.

The cuts here, the decisions here, impact not only New Jersey or other States, but the local level.

So I will urge you, you know, reforms are great, but if we're going to cut the ability for people to have housing, I mean, I am not for reform. We have to provide—the Federal Government, in my opinion, has a role in providing housing for the most needy and seniors.

Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you, very much.

I yield to the gentleman from Connecticut, Mr. Murphy, 2 minutes, for an opening statement.

Mr. MURPHY. Thank you, Madam Chairwoman.

As the sole representative of the second row this morning, it's a great honor to be able to serve on this committee with you, a freshman member.

Mr. SHAYS. If the gentleman would yield, we'd let him sit in the first row over here.

[Laughter]

Mr. MURPHY. I'm finding it very comfortable on this row, Mr. Shays.

Madam Chairwoman, coming from Connecticut, we have great successes and great challenges in the area of housing policy, and it was why I asked to serve with you on this committee.

We have successes in partnering Section 8 vouchers with social services in our support of housing units, and I look forward to a conversation about how the Federal Government can help States that are doing supporting housing well continue to do that.

But we have challenges with homeownership. In one of the richest States in the Nation, we have some of the lowest rates of homeownership, and so what I think is so productive about the discussion when it comes to Section 8 reform is the means that we can use Section 8 as a pathway to homeownership. That, in Connecticut, would mean so much to many of our low income citizens.

But more than that, it is an honor to be able to serve on this committee, and I look forward to the work that we'll do on this issue and others.

Chairwoman WATERS. Thank you, very much.

We will now call our witnesses.

For the first panel, I think we have one witness, the Honorable Orlando J. Cabrera, Assistant Secretary of Public and Indian Housing, U.S. Department of Housing and Urban Development.

Welcome, Mr. Cabrera.

STATEMENT OF THE HONORABLE ORLANDO J. CABRERA, ASSISTANT SECRETARY, PUBLIC AND INDIAN HOUSING, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. CABRERA. Thank you, Madam Chairwoman.

Good morning, Madam Chairwoman, Ranking Member Biggert, and members of the committee. Thank you for inviting me to speak today.

I wanted to start by apologizing. I am getting over the flu. I'm not contagious, but I might struggle a little bit sometimes with my voice, so I'll take a break from time to time, if it's okay with you.

Chairwoman WATERS. Excuse me. If I may, we do not have your written statement. You will be recognized for 5 minutes, and we'd like to have you follow up with a written statement to us.

Mr. CABRERA. Yes, Madam Chairwoman, we will submit a written statement. I believe I spoke to one of your staff, and I think we'll get that to you within 30 days, if that's acceptable to you.

Chairwoman WATERS. 30 days?

Mr. CABRERA. Yes, please.

Chairwoman WATERS. I need it before then.

Mr. CABRERA. Okay.

Chairwoman WATERS. Could you get it to us in 10 days?

Mr. CABRERA. Yes, Madam Chairwoman.

Chairwoman WATERS. Thank you. I think that's sufficient.

Mr. CABRERA. My name is Orlando Cabrera, and I'm Assistant Secretary for Public and Indian Housing at the Department of Housing and Urban Development.

As you know, our portfolio includes a housing choice voucher program, which is the focus of this statement. In recent years, we have seen many positive outcomes in the HCV program. Budget based allocation of vouchers has provided predictability for public housing authorities.

We have used tools that help us assure that we are serving those whom Congress intended to serve. Improper payments have been reduced significantly, down to $1.2 billion from $3.5 billion annually, resulting in HUD's removal from the Government Accountability Office's high-risk list of government programs.

But we also see areas that could make the housing choice voucher program even more resilient and vital. We would like to suggest that the platform for assuring that vitality is the continued route towards simplification and away from regulation. The vast majority of public housing authorities are good stewards of Federal funds. HUD believes it is good policy to encourage and incentivize that good stewardship in the HCV program.

If the central theme is simplification, then we would suggest that this committee, as authorizers, craft and pass language that mirrors the budget based allocation set forth in appropriations law in recent years.

The budget based system works. PHA's have noted that the predictability of funding has helped them administer their program. It allows the PHA's to maximize the number of families that they can help in their communities.

We would also suggest simplifying rent calculations compared to what the current methodology is. The current one-size-fits-all for income and rent we suggest should be revisited. It is very costly to administer and it encourages the under-reporting of income.

One stakeholder group has published a chart that could not better illustrate the complex labyrinth that is rent-setting. I'd like to

show that to you momentarily. This is the methodology for rent-setting in Section 8. It is extremely cumbersome.

Local PHA's—oh, I'm sorry, and Madam Chairwoman, we're willing to have more copies of these delivered to the committee for their review.

Local PHA's—

Chairwoman WATERS. Without objection, they will be submitted for the record.

Mr. CABRERA. Thank you, Madam Chairwoman.

Local PHA's know their markets better than we do here in Washington. We should let them use the information they know about their communities to better serve the voucher holders they serve.

We would suggest simplifying the definition of income for purposes of calculation and then give PHA's a parameter of rent-setting tools, like flat rent, income-tiered rent, rent based upon percentage of income as determined by the PHA, current Housing Act rent calculation if the PHA elects, but always providing a safe harbor for the elderly and the disabled.

Performance standards should be established that can independently verify how well PHA's are utilizing Federal funds in order to assure adequate oversight of PHA's.

We would encourage focus on four essential pillars: effective utilization of funds, financial solvency of the PHA, physical condition of the units, and timely and accurate financial and data reporting.

We would ask that you consider deregulating small PHA's, PHA's with a cumulative total of less than 500 public housing units and/or vouchers, by allowing them fungibility with both Section 8 and Section 9 money. They still would need to meet performance standards and report data.

Provide those PHA's statutory relief, and allow them the fungibility so they can work those funds to the fullest extent for the benefit of their communities.

Our sense is that there is some support for asset testing, as well. We agree that asset testing would be a useful tool to assure that Federal funds are going to those who Congress intended to serve.

We agree that biennial, as opposed to annual, income certifications and unit inspections, would reduce administrative costs and be helpful, but would suggest that, with certain exceptions, relying on initial and then not conducting subsequent income certifications would work well for the elderly and disabled population.

In conclusion, we would suggest that simplification is the route to greater effectiveness of the housing choice voucher program, not merely regulation.

Thank you for your invitation.

I will be happy to answer any questions.

[The prepared statement of Assistant Secretary Cabrera can be found on page 68 of the appendix.]

Chairwoman WATERS. Thank you.

The Chair yields herself 5 minutes for questions.

Mr. Cabrera, as a result of the updated voucher formula for 2007, and the structure that is contained in this bill, should the bill prevent the recapture of pre-2007 program reserves at least through 2008, if not permanently?

Mr. CABRERA. I don't believe that we have proposed the recapture of the undesignated fund balances, and we have no intent of proposing the recapture of those undesignated fund balances.

Chairwoman WATERS. Is the proposed permanent 2 percent reserve level high enough to run the voucher program responsibly?

Mr. CABRERA. I would answer the question in a different way than a fixed number.

One of the issues is, what's the appropriate reserve for the agency that is in question? A reserve number for the New York City housing authority may not be the one that would apply to a smaller one or a different large city, so I would say that in some cases, I'm sure a 2 percent reserve would be fine, but in some cases, you may need a greater or a lesser reserve than that.

Chairwoman WATERS. Thank you, very much.

That's all that I have by way of questions, and I would yield to the ranking member, Ms. Biggert, 5 minutes for questions.

Mrs. BIGGERT. Thank you.

The President's fiscal year 2008 budget proposes to eliminate the cap on the number of families each PHA is allowed to assist in order to assist at least 180,000 additional families.

Could you explain the current difficulties with the cap and how it affects PHA's that may have funding reserves but are currently unable to spend them?

Mr. CABRERA. The undesignated fund balance is an amount of money that most PHA's have, 200 out of 2,400, and it is split into two parts.

One is that which is outside of the cap and can still be used, and that which is, or might be, within a cap. Every PHA is different. There is no uniform rule. And so for those that are now, that have hit their cap in terms of the ability to issue more vouchers, by having the cap there, we are impeding them from moving forward and leasing more.

Removing the cap would give them the flexibility to lease more, but it would also impose on them, as we would want to impose on them, the obligation to be good, responsible financial stewards of Federal funds. And so they would be able to determine for themselves to what extent they would lease more beyond that cap.

Mrs. BIGGERT. But aren't they the ones that really have been good stewards and have gotten, you know, all the vouchers out to all those that they can, and so it seems like right now we are penalizing them, and particularly with this continuing resolution, where they have lost their funding because they've had the reserves while they're waiting to be able to not have that cap limitation?

Mr. CABRERA. The cap is impeding the ability of many very good performers from reaching further.

Mrs. BIGGERT. Okay.

Then in recent years, Congress has changed the way that the voucher program is funded, moving from a formula that was based on the number of units that a PHA was under contract was HUD at their current per-unit cost to a dollar-based formula established by the number of units under the lease on a given date, adjusted by the inflation formula.

What further improvement could be made?

Mr. CABRERA. The biggest improvement that could be made is providing PHA's with predictability.

Re-benchmarking every year is going to, I think, impose an enormous burden on PHA's, and also open some real issues with respect to how vouchers are used and utilized, such that, for example, we may be put in a position where the over/under-payments that we have just been taken off the high-risk list for at HUD, that that might become an issue again.

Our suggestion would be that there would be a baseline and every 3 years, triennially, the re-benchmarking would be revisited based upon that baseline. It would be a periodic thing.

That way, PHA's could plan, they could understand, they would understand that number is not immutable, it changes with time, depending upon what needs might be, and I think it addresses well the needs of particular PHA's.

Mrs. BIGGERT. Does the current draft, does it revert back to a unit based formula, then?

Mr. CABRERA. No, that would be a budget based formula where you would be re-benchmarking triennially, every 3 years, is what we would probably recommend most strongly.

Mrs. BIGGERT. Okay. Thank you. I yield back.

Chairwoman WATERS. Okay. Thank you, very much.

Before yielding to Mr. Lynch, I'd just like to be sure of what you said about the reserves or the—

Mr. CABRERA. Undesignated fund balance?

Chairwoman WATERS. Yes.

Mr. CABRERA. Yes.

Chairwoman WATERS. Did you say that you absolutely support PHA's being able to hold onto their reserves and to spend them—

Mr. CABRERA. We do. We've included that, Madam Chairwoman, in our financial audit.

As I recall, we have a footnote that says that the undesignated fund balances belong to the PHA's.

Chairwoman WATERS. All right.

Mr. CABRERA. Now, as a matter of policy, that is what we believe.

Chairwoman WATERS. Thank you, very much.

Mr. Lynch, 5 minutes.

Mr. LYNCH. Thank you, Madam Chairwoman.

Under Secretary, again, thank you for coming.

Mr. CABRERA. Mr. Lynch, thank you for the promotion.

Mr. LYNCH. I'm sorry, Mr. Under Secretary, yes.

You know, if I listen to my housing tenants in my district—again, I think I have 22,000 families who are classified as extremely low income, and I have 13,000 who qualify under very low income, according to ho HUD standards—they feel, and the advocates for these tenants feel that there's been a real retrenchment over the last 7 years regarding national housing policy, some would even say abandonment.

We've seen it in this committee, and you heard from the ranking member, who's talking about the millions of dollars that will not be there for folks in her district, as well, who live in public housing.

It just seems that right now, and for the last 7 years, we've been operating the public housing systems in the United States as housing of last resort, the nowhere-else-to-go housing.

You have to realize, at least what I see broadly happening here, is we have, you know, 46 million people without health care, so that at any point, a family could be put in a disastrous, catastrophic situation that would require them to go to housing of last resort, or there's no job security, so we see people constantly being tossed out of work and then they have to get on a list for public housing, and also there's no retirement security, no pension security in this country anymore for a lot of people, so we see a lot of seniors getting stuck at the end of their working lives.

And it's just troubling to see the development of our disinvestment in our public housing projects.

Again, with those numbers that I talked about with the very low and extremely low in my district, I still have the highest private—well, it's the third highest in the country—the rental markets, the private rental markets.

So there's really no other opportunity for them to move into private housing. And yet HUD itself defines affordability as spending no more than 30 percent of income on housing, and in my district, half of the extremely low income households are paying greater than 50 percent, so they're well beyond what the guidelines would be. And 20 percent of the very low income housing are in the same boat.

My first question relates to the average rent burden for these voucher holders. Are the numbers we see in my district common to those across the country, and what can we do about that?

And my second question relates to the goal of decentralizing concentrations of poverty. When we have the situation where folks are struggling, just like when I lived in the housing projects, folks were struggling, it just seems that it builds upon itself, you know, a feeling of some level of despair. The jobs aren't there. You know, it's just a very difficult situation.

I have places in my district, Dorchester, Roxbury, the City of Brock—those are in Boston but also in Brockton—where gentrification and increasing rents are really concentrating people in very poor areas. And, you know, at the same time, we have a deficit of over 10,000 rental units that are needed for extremely low income families.

I just want to know if you're doing anything that helps this situation to give families an opportunity to maybe diversify rather than being all together and generally in areas where the job opportunities are not there?

Can we get people out of those developments and give some of those families a chance to move out, decrease the pressure in those areas, and connect these people with the jobs that will get them out of those situations and just ease the suffering in some of these developments?

Mr. CABRERA. First, you need to know something that will illustrate for you why I'm answering this in a particular way.

I'm from Boston. I grew up in Allston, just west of you. But the thing is, we moved to Florida, so I rediscovered R in the alphabet.

Mr. LYNCH. I have not.

Mr. CABRERA. I know. I noticed that.

Mr. LYNCH. Sometimes we have an interpreter up here.

Mr. CABRERA. I still remember. I don't need interpreters.

So the next thing is that I grew up near Fidelis Way, so I'm familiar with the stresses of Boston.

The third thing is that in Allston-Brighton, as you know, as you drive up Comm Ave, you have all those brownstones, used to be where my friends lived, and they used to be walkups, and they used to—I remember when my father, the rent went up from $180 a month to $200 a month, and I remember him going to our landlord, who lived on the second floor, and they had this pitched—they were two very close friends, and they had these pitched battle.

So—

Chairwoman WATERS. The gentleman's time has expired.

I yield 5 minutes for questioning to the gentleman from California, Mr. Miller.

Mr. MILLER. Thank you, Madam Chairwoman.

I just think this program is growing out of control, and it's not efficient, and yet the basic need of reform, we have about 10 million households out there in different need of housing assistance, and they're on a wait list of a minimum of 2 years, in the Los Angeles area 10 years.

And can we justify a situation where one person is given unlimited Federal housing assistance while another one is put on a wait list, who might have a greater need?

Mr. CABRERA. Well, one of the ways to address that, Congressman, is that—and we're beginning to explore this—is to start looking at the wait lists and using the tools that we use in order to verify income when folks get the voucher, to basically, periodically, move folks off the wait list who would not otherwise qualify at that point in time, and that would thin out the wait list to assure that the people on it actually qualify for the voucher.

Mr. MILLER. We placed limits on TANIF in 1996. Do you think we should impose the same limit requirements on those who receive Section 8 vouchers?

Mr. CABRERA. I don't recall the limits on TANIF from 1996, Congressman. I'd like to request your indulgence and ask—

Mr. MILLER. Do you think we should impose time limits on vouchers?

Mr. CABRERA. Oh, time limits. Oh.

I think that the PHA's should have—I understand the question, and I apologize—the PHA's should have the flexibility to decide for themselves if they want to impose time limits, yes.

Mr. MILLER. I thought that when I introduced a bill 2 years ago, trying to go in that direction.

Moving to work, currently we only allow about 32 of the PHA's out of the 3,000 to get involved in the move to work program. Could you give us your observation on the move to work program?

Mr. CABRERA. Moving to work is a program that allows the funging, the combination of Section 8 money, housing choice voucher money, and Section 9 money, operating fund and other funds, and it gives them the ability to use the whole pool of money to address housing needs in the community in whatever way they really want, as long as it's within the contract of MTW.

So my view of that is, it's worked for the most part extraordinarily well—

Mr. MILLER. Are we serving more families on that move to work program?

Mr. CABRERA. I think more families are being served, and I think, coming back to your first point, not only that, but we have more efficient PHA's being run.

Mr. MILLER. In the current system, PHA's are forced to skip low income working families who have been on a waiting list for years in order to meet the existing targeting requirements that we face out there.

Do you think Congress should change the current targeting requirements, and if you do, how would we go about doing that?

Mr. CABRERA. I think that, on the Section 8 side, the targeting is 75 percent of vouchers for folks at 30 percent of AMI and below, while on the public housing side the target is 40 percent of units for folks at 30 percent of AMI and below.

I think that there—I can certainly understand that certain stakeholders would feel extremely committed to the idea of keeping the 75 percent number. I do believe it impedes a PHA's ability to fully function. I think giving some flexibility—I'm not saying a set number, but some kind of criteria, maybe a tiered criteria, maybe a set of options—would better serve people.

I think at the end of the day, you're still serving the same demographic, but you are serving them in a more flexible way.

One of the reasons that we're married to this particular demographic is simply the standards set by Congress. The 30 percent of AMI is not regulatory, it's statutory.

And so therefore, one of the things we should begin talking about is maybe it's not 30, maybe it's 40 percent of—

Mr. MILLER. So allowing more flexibility for PHA's based on their local needs—

Mr. CABRERA. Without question.

Mr. MILLER.—local determination?

Mr. CABRERA. Without question.

Mr. MILLER. Yes.

Portability. We've discussed that in the past, and there's been some debate, because it's cumbersome for the housing authority.

Sometimes a housing authority will have a person move to an area that really costs them two vouchers, based on the cost of that area.

Do you think Congress should limit portability moves to issues such as job, medical, and education, and do you think it should be even limited to an area that's within the same cost range?

Mr. CABRERA. I think portability is an issue that we need to visit. Portability, I think, is as much an issue of the reimbursement as it is the fact that there is portability. I think one of the things that would be helpful is looking at ways for the PHA that is carrying the burden to be more quickly reimbursed for having gone out and done the port, but at the end of the day, I would worry about restricting PHA's too much on portability on the one hand. Certainly, having wide open portability or imposing that on PHA's really is putting them in an uncomfortable position.

Mr. MILLER. But some kind of justification?

Mr. CABRERA. Yes.

Mr. MILLER. Okay. Thank you.

I yield back.

Chairwoman WATERS. The gentleman's time has expired.

Mr. Cleaver, for 5 minutes.

Mr. CLEAVER. Thank you. Thank you, Madam Chairwoman.

Mr. Cabrera, I was outside. I may have missed. Hopefully, you didn't address this in your opening statement.

My first question is, do you believe that we are currently operating with sufficient Section 8 certificates?

Mr. CABRERA. Vouchers, you mean?

Mr. CLEAVER. Yes. The voucher is certified, so I call them certificates.

Mr. CABRERA. Congressman, we have proposed the budget that we always propose. That is what we believe, is that we are funded appropriately for the voucher program, yes.

The voucher program has increased in funding every year since, well, since its inception—

Mr. CLEAVER. I know, since 1974.

Mr. CABRERA. Yes.

Mr. CLEAVER. That's not my question, though. Let me ask it another way.

Is HUD satisfied that there are sufficient vouchers to handle the people who need housing, the poor who are in need of housing?

Mr. CABRERA. The President's budget is $16 billion for fiscal year 2008, and assuming we remove the caps and assuming that we—

Mr. CLEAVER. Okay, I'm sorry—

Mr. CABRERA.—the answer is yes, I think we can do it well. Sure.

Mr. CLEAVER. Okay. Sometimes I'm not as articulate as I should be, so I'll try it again.

Is HUD satisfied that there are sufficient dollars available in the budget to provide sufficient housing for the poor and that we don't need any additional vouchers?

Mr. CABRERA. Okay.

Congressman, respectfully, I have answered the question, and with the assumptions that I gave you, that is the answer.

Mr. CLEAVER. Respectfully, you haven't. I mean, very respectfully, you haven't.

And if you could just say we don't have sufficient dollars or we think—

Mr. CABRERA. The answer is not a yes or no question. We have made a proposal within the concept of appropriation, we have provided the parameters upon which we can expand Section 8—

Mr. CLEAVER. So you don't need any additional dollars for vouchers?

Mr. CABRERA. Assuming that we get the caps removed, the answer is that—we are getting additional dollars for vouchers. Assuming the caps were removed and those things that have been proposed are put in place—

Mr. CLEAVER. Enough to sufficiently house people who need them?

Mr. CABRERA. In accordance with the budget that's been proposed, yes.

Mr. CLEAVER. Okay. You made up your mind before you left that you weren't going to answer that question, before you left the HUD building, so that's fine. Maybe you'll answer this one.

Is there any way we can address the problem that many of us—I've served as a mayor, as well—have to deal with: if we concentrate the Section 8 housing in one area, it's generally because the amount of money for each unit is insufficient to move them into other neighborhoods that may be more socio-economically upscale, so consequently, we always end up placing the Section 8 certificates in the same neighborhood, because that's the amount of money per voucher that will allow us to secure housing.

So is there a way that we can actually accomplish the spreading out of Section 8 that would be supported by HUD in terms of raising the amount that each voucher is worth?

Mr. CABRERA. The answer—well, I'm not sure of the question, but I'm going to try to answer it.

Section 8 has two components to it. One is the tenant-based rental assistance program.

Mr. CLEAVER. Yes.

Mr. CABRERA. That is a voucher held by a person, and they can go anywhere they want.

So the fact that folks are concentrated or not concentrated is a function of whether the landlord will or will not accept the tenant-based rental assistance.

Mr. CLEAVER. Except that the landlord will not accept a voucher in Hollywood, and so therefore everybody lives in another section of the community.

Mr. CABRERA. Right.

Mr. CLEAVER. And so how do we talk about dispersing the residents all over a community when only one section of the community will have landlords who will accept the voucher?

Mr. CABRERA. I would say, Congressman, that I don't—you know, the idea that Congress would impose on landlords the obligation to accept all vouchers, I think that—that's what I think you're saying, and I'm not so sure that—

Mr. CLEAVER. That's not what I said. I said what can HUD do?

Chairwoman WATERS. The gentleman's time has expired.

Mr. CLEAVER. Thank you.

Chairwoman WATERS. The gentleman from Connecticut, Mr. Shays.

Mr. SHAYS. I'd be happy to yield a second.

Mrs. BIGGERT. Thank you so much. Well, a little more than a second, but I did want to clarify just one thing about the questioning before.

I was talking about the draft legislation, not what is currently being done on the unit versus the budget.

And as you mentioned, the appropriators have made changes to the Section 8 program that moves us from the unit based to a budget based program.

But I think that HUD, and you have indicated that you have a concern about the draft proposal that we're working on that takes us back to the unit based pricing.

Can you explain your concerns and how you think that this draft proposal does that, takes us back to the unit-based?

Mr. CABRERA. The draft proposal—

Mr. SHAYS. In 20 seconds.

Mr. CABRERA. In 20 seconds, the draft proposal does go back to a unit based system.

It basically says every year you fill out and add to the number, the dollar number, the units that are out. That's a huge difference from where we are right now.

Mrs. BIGGERT. Okay.

Mr. SHAYS. Thank you.

When you were in dialogue with Mr. Lynch, you guys started to wax eloquent about Massachusetts, and that happens all the time, and you never answered his question.

But it was—I'm being serious.

Mr. CABRERA. I can continue if you'd like.

Mr. SHAYS. No. I want to know afterwards, the rest of the story.

Mr. CABRERA. Sure.

Mr. SHAYS. But what I would like to know now is, the bottom line is, and this is a serious problem, aside from the fact that Section 8 consumes so much of HUD's budget, we're really finding a lot of families who are having to pay more than 30 percent.

I'd like a short answer to the question, are you trying to identify towns where this is a common practice, where they're simply, you know, seeing that happen, number one, and number two, if you are, are you trying to identify the tenants?

Mr. CABRERA. Where someone is paying more than 30 percent of their income?

Mr. SHAYS. Yes.

Mr. CABRERA. No, there is no current effort that I know of where we are undertaking some survey of who's inside or outside the band of affordability.

And that would happen by market. That's—that is—that's a very different issue than—

Mr. SHAYS. Okay.

But the issue is that some tenants are ending up paying, and I'd like to know if this is endemic in certain parts of the country, and if it's the practice of the housing authority that's allowing this to happen.

Secondly, another concern I have is that it's my understanding that in some cities they're really not paying the fair market rate, they're really pushing the landlords to much lower, and I guess we should say that's good if they get a good deal.

Is that a case that's happening?

Mr. CABRERA. In most cities, the problem is that the way the fair market rents are being—this is one of the things I was trying to say earlier.

The way fair market rent is calculated now, it is essentially a data collection, and it's 2 years old.

Mr. SHAYS. Okay. Let me leave it with that.

Mr. CABRERA. And it's 2 years behind the times.

Mr. SHAYS. Okay.

The last point, the GAO removed from high-risk series the FHA and the rental property. Len Wolfson didn't ask me to ask this question, but it seems to me you should be congratulated, so let's assume he did his job and asked me to ask that question.

Mr. CABRERA. Thank you, Congressman.

Mr. SHAYS. And by the way, he does a great job for you.

Mr. CABRERA. Thank you, very much.

Mr. SHAYS. So tell me about it, about being removed.

Was it a long effort? Do you want to talk about it, or are you just—

Mr. CABRERA. It was an effort of years and countless people who did wonderful work at HUD, and absolutely had nothing to do with me, and I couldn't be more proud of them. They did a terrific job.

Mr. SHAYS. Great. Ms. Biggert, would you like any more of my time?

Mrs. BIGGERT. Thank you, Mr. Shays, I would.

I still am concerned about this issue.

Could you explain your concerns about going back to the unit base?

Mr. CABRERA. In broader than 20 seconds?

Mrs. BIGGERT. Yes.

Mr. CABRERA. The unit based system will, it's not a geometric progression, but it's a much faster progression if you do a unit based system, because there are issues of how vouchers are issued annually.

So you will have a situation where there is no regulator, not in a legal perspective, but in a financial one, on what or how vouchers are issued, and if there is one, there isn't a very solid one.

This is what the problem was before. That's where you saw the very much more vertical increase in Section 8 budgeting.

With budget based Section 8, with that, what you had was a situation where PHA's were given money based on a baseline with an annual adjustment factor, with a couple of other factors, and they were told, "Here is your budget, serve the folks that you need to serve within your budget."

So one of the things that they were also told there, though, regrettably, in my view, is that, "Oh, incidentally, we're going to cap a portion of this. We're going to cap your undesignated fund balances and you can't exceed the issuance of vouchers if you hit that cap."

And if that's removed, I think it gives quite a bit of leeway for particular PHA's to move forward and house more people.

Chairwoman WATERS. The gentleman's time has expired.

Mr. Green of Texas, 5 minutes.

Mr. GREEN. Thank you, Madam Chairwoman.

Sir, thank you for appearing today.

Mr. CABRERA. Thank you.

Mr. GREEN. Under your formula, would any agencies receive a cut?

Mr. CABRERA. Under the appropriation formula?

The issue is not cut or increase in terms of a cut. The issue is the distribution of money going to various PHA's, depending upon how their vouchers were utilized.

Mr. GREEN. Would any agency receive less than the previous year?

Mr. CABRERA. Congressman, the answer is yes.

Mr. GREEN. And would you kindly give some indication as to how your proposal would address first-time homeowners using vouchers as a down payment?

Mr. CABRERA. We don't have a proposal, Congressman, but in SEVRA, first of all, Section 8 has been used for homeowner assistance for the last 5 years, 10 years, so once the commitment is made, they have 10 years worth of Section 8 vouchers which they can use to redeem mortgage payments.

This codifies that policy, as I recall, that was previously in an appropriations act.

Mr. GREEN. With reference to persons who are in exceedingly low income areas, how do you propose addressing persons who are in these very low income areas, and because they are making—they are using 30 percent of their local median income, you still would miss persons who are working full-time and may be below the poverty line.

How would you address those persons?

Mr. CABRERA. The 30 percent of income is a statutory thing.

That is, the purpose of Section 8 is to defray the cost between fair market rent and what the person can pay.

So that's just part of how the voucher works.

Mr. GREEN. With reference to the Federal poverty line, do you see a means by which that can be incorporated?

Mr. CABRERA. The poverty line, I saw that language in the Act, and I thought, "I need to think more about that," and I'm happy to answer that question later, but it's a relatively new proposal, and I'm trying to figure out in my head, which is going to take me a little bit, what the implication of that is.

And if you'll indulge me, I'm happy to talk about that or respond to you in writing as to what the effect of that would be.

Mr. GREEN. Please, if you would.

Mr. CABRERA. I'll be happy to.

Mr. GREEN. Madam Chairwoman, I'll yield back.

Chairwoman WATERS. Thank you, very much.

Ms. Capito.

Ms. CAPITO. Thank you, Madam Chairwoman.

Chairwoman WATERS. Five minutes.

I will yield time to the ranking member, if she still has additional questions.

Mrs. BIGGERT. Thank you, very much.

I just have one quick question, and then I'll yield back to the gentlelady.

Re-benchmarking every year, and I think you've talked about 3 years, is there any middle ground, or could you—

Mr. CABRERA. Two?

Mrs. BIGGERT. Well, that would be one, two, three, but do you think that is enough time?

Mr. CABRERA. Yes. No, I think re-benchmarking every 3 years would work.

Re-benching annually I think, and I'm not presuming to speak on behalf of those organizations that represent PHA's, but my sense of life is that they will tell you that would, to a large degree, create some rather significant stress in the PHA community.

Mrs. BIGGERT. Thank you. I yield back.

Ms. CAPITO. Thank you.

I'd like to ask a couple of questions.

We hear a lot about the waiting list and the length of the waiting list, and the immovability of the waiting list.

What kind of measures is HUD doing or helping to assist with the PHA's to move or weave through these waiting lists to make sure that they're verifiable, that they're still active, and that they are an accurate representation of those who are still in need?

Mr. CABRERA. Congresswoman, the waiting lists are very static, and what we're trying to do now is use a tool that we use when the voucher is administered to verify income, to assure that the voucher holder is within the income bandwidth on the waiting list to make sure that periodically the waiting list is checked, to assure that people who are on the waiting list still qualify for vouchers.

Ms. CAPITO. I have another two areas of concern with housing in general and some Section 8 issues.

One involves the elderly. I mean, I represent West Virginia, and we have one of the most elderly populations in the country.

And we have a real challenge finding the ability for our elderly to find sufficient housing that's not only affordable, but is safe and accessible for the elderly.

What kind of initiatives are, either through this program or other programs, are you pursuing in a rural kind of setting?

Mr. CABRERA. Vouchers for the elderly are under a different section, Section 811, but at the end of the day, elders are a huge component of all vouchers.

Frankly, we've just undertaken those things that Congress has told us to do with respect to housing the elderly using vouchers.

One of the things we did do is to try to consolidate the effort between HHS, Health and Human Services, and us, to make us more like a one-stop shop, so that we can port all of these services together.

One of the issues with elders is services, and so we're making pretty significant efforts in trying to package that or create that package.

Ms. CAPITO. Okay. My final question is on the substandard quality of some housing that is either, (a), uninhabitable, or is being lived in and still doesn't meet up to your biennial or annual inspections.

I think we learned during the Katrina hearings that, I can't remember the exact percent, Madam Chairwoman, but it was very high, a lot of the units that were not being—that were uninhabitable, and I think we're having that across the country.

What's the solution to that? I mean, you know, we talked about one-on-one replacement, we talked about, in this new bill, we've talked about biennial inspections instead of annual inspections.

What's your perception of that?

Mr. CABRERA. In the case of New Orleans, most of that issue with respect to housing quality, as I recall the testimony, was with respect to the public housing units. This is on Section 8.

So really, when we talk about Section 8, we're talking about the private market, and there the housing quality inspection is actually pretty good.

The issue, though, is twofold.

Number one, funding inspections is key, and that is something that we would encourage.

The second thing, though, is uniformity of inspection.

Very often, what winds up happening is that if we do have inspections, we find things that are just, not just—it's not that they're innocuous, it's that they're inapplicable to a housing setting.

The best example I can give you—this is someone who recently spoke to me; this happened 4 days ago.

There was a landlord, and they were very brave. They said, "I have a unit. I take the Section 8 voucher. You need to know the ceiling fan was off of the ceiling, the electrical box door was torn off, an outside outlet had live exposed wire, and the inspector cited me for not having 6 inches of caulking on my kitchen window, but nothing else."

Chairwoman WATERS. The gentlelady's time has expired. Thank you.

Mr. Clay of Missouri, 5 minutes.

Mr. CLAY. Thank you, Madam Chairwoman.

Welcome to the subcommittee, Mr. Cabrera.

Mr. CABRERA. Thank you.

Mr. CLAY. You know, the Section 8 Voucher Act will eliminate some of the stranglehold that the Administration put on the Section 8 program in 2004.

The program will return to funding a set number of vouchers rather than providing a lump sum that mostly resulted in drastically decreasing the numbers of vouchers funded.

This Act will target vouchers to extremely low income families, increase tenant protections, and have quality inspections of both rental and privately owned assisted housing.

And the proposal does much more than this. I say that because I represent St. Louis, and we are finding a disproportionate percentage of privately owned assisted housing contaminated with lead paint.

When housing is inspected, I wanted to know, does HUD inspect for the presence of lead contamination in the home, and still allow tenants to move into the units?

And as you are aware, lead is a very serious health hazard, especially to children.

Just what is HUD's policy in regard to that when they find lead present in a unit?

Mr. CABRERA. Congressman, I'm going to ask that you let me ask my staff. I don't know whether on the sheets, the checklist that they use for inspections, lead is on there.

May I be excused for just a minute?

Mr. CLAY. Sure. Sure. Please.

Mr. CABRERA. HUD does not require it on the checklist. The landlords are required to check for lead on their properties, particularly when the property is older than 1978.

I think there's a disclosure, as I recall, in most leases. There is a provision, though, where if a child has an elevated, I don't know what the standard is, but an elevated level of lead, then they have to be moved out of the unit.

Mr. CLAY. I see. And as you are aware, a lot of the local communities have lead ordinances which require inspection.

I would really love to see HUD put in place some kind of coordination with those local communities or States in order to protect these young children who inevitably are exposed to lead.

I would really, really like to hear more on that from your agency.

Let me ask you about a question that Representative Green also asked, about homeownership. Has there been any movement or decision by your agency to increase the number of tenants who are actually using their Section 8 vouchers for mortgage down payment or to pay that mortgage?

I heard you say earlier that right now there are about 5,000 homeowners nationally. Are there any plans to expand on that program?

Mr. CABRERA. That program exists now, and to the extent that it can be fully utilized, we're great proponents of homeownership. We will continue to keep promoting homeownership.

Mr. CLAY. Okay. And so you would be willing to—

Mr. CABRERA. I would be willing—

Mr. CLAY.—look at another opportunity, another—

Mr. CABRERA. The issue with the Section 8 voucher and homeownership is simple.

It's fitting the value of the property that someone might be able to buy and anything else they can get in terms of trying to buy that property and the voucher. That's a financing issue.

But wherever the opportunity comes up, we're happy to promote it.

Mr. CLAY. Thank you for that response.

What has been your agency's overall reaction to this proposed law?

Mr. CABRERA. Well, it's much of what I noted in my opening statement, Congressman.

It's basically that we believe we should stay on a budget based system. We believe that the issue is simplification more than anything else. We believe that PHA's are good stewards of their money, and that they know their markets better than we know their markets, and so therefore, we need some rent flexibility and some flexibility with respect to how income is certified.

We believe that with all of those tools, I think everybody wants just a better business model, and that's what we're proposing, is a better business model to get and to serve more people.

Mr. CLAY. Thank you for your response.

I yield back.

Chairwoman WATERS. The gentleman's time has expired.

Mr. Sires from New Jersey.

Mr. SIRES. Thank you, Madam Chairwoman.

Mr. Assistant Secretary, do you have a breakdown of the people who get Section 8—say seniors, veterans—do you have any, of the total?

Mr. CABRERA. Congressman, every quarter, we report to Congress on exactly what that breakdown is. We're happy to provide you a copy of that.

Mr. SIRES. Would you?

I guess I am looking for a way to make the Section 8 program more senior friendly, more disabled friendly, and more veteran friendly. We're obviously going to get more veterans. What rec-

ommendations would you give this body that would make that possible, in your eyes?

I know that Section 8 is broad, and I saw the formula that you put up. I can see it from here.

But what recommendations would you give us to make it more friendly for those folks?

Mr. CABRERA. For the veterans?

Mr. SIRES. Veterans, seniors, and disabled.

Mr. CABRERA. I think on the elderly side, what I noted earlier, about packaging things in a particular way is important, and this also would apply to folks who are disabled.

The issues, housing folks who are elderly and housing folks who are disabled, are similar in many ways, mostly have to do with not just the housing but the services package that comes with it.

So trying to coordinate what is done with someone who is a voucher holder with all of the other things that they might receive I think has value. I think it would work well.

For example, someone who is elderly, they typically are receiving Social Security, up to a certain amount, or they're getting Medicare help, and there's a package of services that they're getting.

And coordinating that with the unit that they're in, so that the unit, for example, lends itself to the services that they might need is something that has value, and we're working, and we've been working on, for quite a while.

On the veterans' side, we—yesterday we opened the—this is a broader issue, but we've just started a housing locator 2 weeks ago at HUD, and so we're opening the housing locator to all veterans, period.

That means when they come home, they can look for a place to live if they need one, and the locator will provide whether or not it's a Section 8, it's a landlord that accepts Section 8 or if it's a public housing unit or if it's just a market unit.

Beyond that, the issue on Section 8 is a budget based issue, so a lot of that would probably need to be worked within the concept of the budget of Section 8.

Mr. SIRES. Do you recommend that, if you're a veteran or a senior, that it be weighted a little more than the rest of the components of the formula?

Mr. CABRERA. I think as a senior, you're getting vouchers under a different program already, so that's a given.

VASH is the program for homeless veterans, and it's a pilot program, and it's been around since 1991, so that's a discrete program.

My sense of life is that there would be considerable stress about—from a lot of quarters—about the fact that there are a lot of families who need housing.

I'm not sure that—I think when issues, in terms of vouchers or anything else, start falling into areas of set-aside, that people tend to react pretty strongly.

Mr. SIRES. Thank you.

Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you, very much.

Mr. Murphy of Connecticut.

Mr. MURPHY. Thank you, Madam Chairwoman.

I wanted to return for a moment to the subject that Mr. Lynch and Mr. Shays, I believe, brought up, although I was out of the room when you may have answered his questions, and it's obviously a parochial concern that you understand, being originally from Massachusetts and Connecticut.

Obviously, we have one of the highest costs of living in the Nation, but we also have some of the greatest disparities of wealth. We have some very poor people living in our cities with some relatively—some very high housing costs where we have, as Mr. Lynch said, people paying 50 percent of their income in housing.

And I guess I want to understand, when you talk about flexibility for PHA's in trying to maybe deal with some of the nuances geographically, that sounds to me, coming from Connecticut, as a means to spread, to have a PHA spread vouchers out to fewer people, maybe understanding that the amount they need might be more, so that fewer people might end up getting served in Connecticut and more people might get served somewhere else.

And so I guess my question is, as we're trying to address the sort of higher cost of living areas, is it a matter of just giving flexibility to PHA's or is this a matter of increasing the sort of end strength of the money that we put into the program?

Mr. CABRERA. No, I think it's a matter of the flexibility in the PHA's.

I don't think that it follows that it would be fewer people at all.

I think one of the issues that is faced by most PHA's is that they administer. The cost of administering the whole income certification process, the whole rent-setting process is enormous for them.

And I think on the one hand—I mean that from an administrative perspective.

I really wasn't addressing that issue. I was trying to say, for PHA's, first of all, PHA's know far better and can tell you more acutely what their economics are than we can.

The fair market rent standards that are used for the payment standard in the Section 8 program are 2 years behind today. That's the way it's designed, statutorily. They know their markets more recently, they know the data in their markets more recently than that.

And so what we're trying to say is, let them use the data locally that they have to set these standards. I'm not saying don't look at them. I'm just saying give them the flexibility to use an alternative set of data in order to make these calls.

And in terms of income certification, currently what we have is income with any number of deductions and additions and things that affect income in so many different ways, in so many permutations, one way on one day, one way on another. Trying to simplify what that is would be enormously helpful to PHA's.

So most of the issue I was really addressing was the administration of the housing choice voucher program by PHA's.

Mr. MURPHY. And for a moment, I just want to turn to the issue of supportive housing, which is a major topic in Connecticut. We're beginning to do it very well, to try to partner some essentially State-funded social programs with some federally funded social programs with Section 8 vouchers.

And this is maybe by means of just educating me on what our Federal Government is doing to help partner with States' efforts to try to put together Section 8 vouchers with some critical social services that hopefully are eventually going to lead, be part and parcel of our effort to move towards homeownership, move towards some type of income growth for these individuals, to just talk for a moment about what the Federal Government may be able to do to help a State like Connecticut on supportive housing issues.

Mr. CABRERA. Again, just reiterating what I noted earlier, we're very much in agreement that, to the extent—so much of that has to do with accessibility to the overall menu of subsidy available to a person.

And so one of the things that we've been focused on is trying to create a spate of options for someone who needs supportive housing, whomever they might be, so they don't have to go to the various windows, that you go to one place.

And that is the single biggest effort that we're taking in that regard.

Mr. MURPHY. And that would be within that voucher?

Mr. CABRERA. It would be within the entire spate of—no, not within the voucher. It would be within the—remember, these are different subsidies, so it can't be within the voucher.

But to coordinate, for example, with HHS or with any other component out there that is the provider of that service, that's really—it's an issue of essentially everybody integrating with one an other in order to make sure that whomever the recipient is of the subsidy, they're getting what they should be getting, they're getting what is offered to them, and they're aware of it. That's a big issue, is awareness.

Mr. MURPHY. Thank you.

Chairwoman WATERS. The gentleman's time has expired.

Mr. Ellison for 5 minutes.

Mr. ELLISON. Madam Chairwoman, thank you.

Thank you for coming today. I just have a few questions, but I don't have much time.

Currently, the policy of HUD with regard to verifying whether or not the units have lead in them is such that HUD relies on landlords to find out whether there's the presence of lead; is that correct?

Mr. CABRERA. That's Federal law, yes.

Mr. ELLISON. Yes. Well, let me ask you this.

Given that landlords sometimes—you know, the Federal Government can't really adequately know whether landlords are doing this all the time, and given the high risk and the serious danger lead presents to developing children, what are your views on whether HUD should have a role on verifying whether there's presence of lead in the units, in Section 8 units?

Mr. CABRERA. The—first of all, all the lead issues at HUD are in another office. I'll answer your question, nonetheless. But that isn't within PIH.

We essentially will do what Congress tells us to do. At the end of the day, the Act itself says that the landlord has that responsibility.

Mr. ELLISON. Yes, I'm aware of that. And the way I framed the question to you was not what does the Act say.

Mr. CABRERA. Right.

Mr. ELLISON. I told you what I understood it to say.

Mr. CABRERA. Right.

Mr. ELLISON. I'm asking you your views on protecting children, and between the landlord and HUD, you know, what's your view on the relative power to make sure that we have lead-safe homes for those kids?

Mr. CABRERA. There are limits to what HUD can do because of the Act, and so therefore, that's why I'm answering in that particular way.

Mr. ELLISON. Yes, but I am asking you in terms of looking toward the future and protecting children, as a professional at HUD, what are your views on the relative ability between the landlord and HUD to make sure we have kids in a lead-safe environment?

Mr. CABRERA. Congressman, I'm happy to have that conversation with you some other time, but right now, I really can't, not because of any other reason, than I really, I haven't really thought about it.

Mr. ELLISON. Okay. You know, that's a fair answer.

Mr. CABRERA. It's not that I haven't thought about lead generally. I have concerns about lead.

But I'm talking about thought in the context of Federal laws—

Mr. ELLISON. I appreciate you saying that you haven't thought about it. That's a fair answer. Because, I mean, I'm—

Mr. CABRERA. It's not that I've thought less.

Mr. ELLISON. Right.

Mr. CABRERA. It's that I'm happy to think with you on it, but I'd have to go back, look at where we are in terms of the Federal law, give you an idea from a policy position, which at this point in time—

Mr. ELLISON. Yes. Well, let me just tell you—

Mr. CABRERA.—very difficult for me to do.

Mr. ELLISON.—I'm presently thinking about what we can do to protect kids from toxic substances like lead.

Mr. CABRERA. Yes.

Mr. ELLISON. I'm trying to think creatively on what more we could do, since it is so detrimental to our children, and I just thought, as a person in your position, you might have some thoughts you could share.

Mr. CABRERA. And I would be happy to have those thoughts with you, if you'd like to meet—

Mr. ELLISON. Well, I'm here. Could you share with us now?

Mr. CABRERA. As I said, I can't do that right now. I'd have to actually think about it first.

Mr. ELLISON. Okay. Well, we'll get together on that.

Mr. CABRERA. That would be great.

Mr. ELLISON. My next question has to do with the adequacy of the Section 8 program.

I know that in Minneapolis, where I'm from, you know, we have long waiting lists.

What are your views on the adequacy of the program to fulfill the housing needs of people around the country?

Mr. CABRERA. The waiting list issue, we—actually, I had an earlier question on this.

One of the things we'd like to do is to provide greater tools to—waiting lists are very static. We'd like to provide tools that would give the public housing authority the ability to monitor that waiting list periodically.

So one of the issues that I think we would come up with there is to get a better idea of who is on the waiting list, how long, and whether they even qualify for the voucher at certain points in time.

The second issue on waiting lists has to do with essentially what each PHA wants.

Waiting lists really are developed according to the local prerogative of that PHA, so it's largely administered by them.

Mr. ELLISON. Do you recommend that we just have more Section 8 vouchers to sort of reduce these waiting lists?

Mr. CABRERA. No, not in the way that you've just framed the question, I would not. We are pretty committed to a budget-based system, because it works.

Mr. ELLISON. Yes, but I mean, isn't the real issue housing people?

Mr. CABRERA. The real issue is running an effective program using Federal dollars to house as many people as you can within a budget.

Mr. ELLISON. Yes, but the real issue, the reason the program exists, is because there are people who are without housing who need it, right?

Mr. CABRERA. I think issues can be framed in a variety of ways. That would be the way I would frame this issue.

Mr. ELLISON. So in terms of me asking you is the number of Section 8 vouchers adequate to meet the housing needs of poor Americans, you're just not willing to say yes or no?

Mr. CABRERA. No, actually, I answered earlier, given the budget that we proposed in 2008, assuming—

Mr. ELLISON. But without regard to the budget, without regard to the budget—

Mr. CABRERA. Oh, just generally?

Mr. ELLISON. Yes.

Mr. CABRERA. No, I think it is adequate.

Mr. ELLISON. You think it is adequate?

Mr. CABRERA. Yes.

Mr. ELLISON. Okay.

Let me ask you this. One of the things about our public housing in Minneapolis again is that just maintenance, the ability to maintain and keep the property up.

Have you thought about whether or not the HUD appropriation to help public housing meets just the physical plant needs of public housing is adequate?

Chairwoman WATERS. The gentleman's time has expired, and I would like to ask the gentleman if it is okay for him to respond to you in writing on that last question.

Mr. ELLISON. Certainly, Madam Chairwoman.

Chairwoman WATERS. Thank you. Certainly, you will do that, Mr. Assistant Secretary.

Mr. CABRERA. I will be happy to do it, Madam Chairwoman.

Chairwoman WATERS. Thank you, very much.

With that, we have completed the first panel.

We would like to thank you, Mr. Cabrera, for being here today, and we look forward to getting your written testimony for the record.

Mr. CABRERA. Absolutely. Thank you, Madam Chairwoman, and members of the committee.

Chairwoman WATERS. I will call up the second panel. Thank you very much.

For our second panel, we have: Mr. Saul Ramirez, executive director of the National Association of Housing and Redevelopment Officials; Mr. Curt Hiebert, executive director, Keene, New Hampshire Authority, on behalf of the Public Housing Authorities Directors Association; Ms. Suniz Zaterman, executive director, Council of Large Public Housing Authorities; Mr. John E. Day, president, DuPage Housing Authority; and Mr. Richard Godfrey, executive director, Rhode Island Housing.

Welcome. Let us get a proper introduction for Mr. Day from our ranking member.

Mrs. BIGGERT. Thank you, Madam Chairwoman.

I just wanted to welcome Mr. John Day to the committee. He's traveled to Washington from the windy city, Chicago, and he is a housing leader in my southwest suburban Congressional district, and for over 2 decades has helped thousands of my constituents and thousands of others throughout Illinois secure safe and affordable housing.

He's the president of the DuPage Housing Authority in the district and he's served in this capacity since 1995. He's also executive director of another nearby housing authority, Kendall County Housing Authority, and he sits on the legislative board of the Public Housing Authorities Directors Association, PHADA, where he has served for 2 years.

In addition, he has worked for the Illinois Housing Development Authority and was involved in the administration of low income housing tax credit programs, and he is a past president of the Northern Illinois Council of Housing Authorities, and NAHRO, the Illinois Chapter.

I'm delighted that he is here today.

Chairwoman WATERS. Thank you.

Without objection, your written statements will be made a part of the record. You will each be recognized for a 5-minute summary of your testimony.

With that, we will start with Mr. Ramirez for 5 minutes.

STATEMENT OF SAUL N. RAMIREZ, JR., EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS (NAHRO)

Mr. RAMIREZ. Thank you very much, Madam Chairwoman, Ranking Member Biggert, and the rest of the members of the committee.

We appreciate the opportunity to be here, and on behalf of the 22,000 agency and individual members that NAHRO represents, many of them agencies since 1933, as one of the Nation's oldest and largest not-for-profits representing officials that operate and

produce affordable housing the redevelopment, it is indeed our pleasure to be here and speak to these comments.

I will keep my comments even shorter than the 5 minutes to move the discussion along, to say that we appreciate it being entered into the record in its entirety.

We're here to express our support for SEVRA.

It does several things that are important for stabilizing a program that for the last 3 years was thrown into a series of gyrations that have caused an imbalance of funding amongst agencies, some getting more than they can spend, others getting less than they need in order to meet the needs that they have out there.

We also believe that instituting this 12-month formula as it was under the House Resolution 20, that it does stabilize the program further.

At this time, unfortunately, HUD has not put this into effect yet, and is still funding in many ways under the current, and the former amounts that were there before. We have seen as a result of the current funding formula that still has not transitioned itself to what was authorized by Congress a loss of over 150,000 vouchers as a result of this imbalance that was created with this formula.

We also believe that SEVRA, under its—under what's being proposed does create an adequate way of reallocating resources for housing agencies. It allows with the reintroduction of maximized leasing the opportunity for agencies to be able to meet their demands.

It further addresses the challenges of administering the program and allows agencies to be able to not just deal with the day-to-day challenges but also deal with very specific challenges within their communities, such as the hard to house and others, that was eliminated through appropriations in prior years.

It does go forward to creating additional rent simplicity and allow for household recertifications that are much more effective for our operations as providers of affordable housing.

It also creates additional flexibility in housing, and quality inspections.

And as to the effective date of this law, should it move forward, we would recommend that if we were able to get this going and get it through, that it take effect January 1st of 2008 in its entirety.

There are other topics in SEVRA that we have addressed in our written testimony, such as the additional reforms that HUD can do now. It's great to hear that they still want to create additional reforms, but yet to date, 7 years later, many of them have not been put into effect, which they could have. We've submitted those for the record as well.

We look forward to getting that done as soon as possible, to create greater flexibility.

The moving to work program. We appreciate that SEVRA has addressed it. Our priorities are to take care of those that are existing now, to make this a permanent legislation through those that are existing, and work to expand it to create greater flexibility for those who want to pursue it.

And finally, on public housing reform, we have some additional recommendations that we've made to help improve SEVRA that we would hope that the committee would take into consideration as we

move forward, and finally say that our goal here is not just to maintain the program, but to work on building the program to allow for additional housing program to occur in our Nation, one that is sorely lacking, as there are more people in our Nation now who need housing than ever before and are not being met by these challenges.

And with that, Madam Chairwoman, again, thank you for having the National Association of Housing and Redevelopment Officials here before you, and I will be pleased to answer any questions you may have for me.

Thank you.

[The prepared statement of Mr. Ramirez can be found on page 107 of the appendix.]

Chairwoman WATERS. Thank you, very much.

Mr. Curt, is that Hiebert of Hiebert?

Mr. HIEBERT. Yes, it is, Madam Chairwoman.

Chairwoman WATERS. Mr. Hiebert, executive director, Keene, New Hampshire Authority.

STATEMENT OF P. CURTIS HIEBERT, EXECUTIVE DIRECTOR, KEENE, NEW HAMPSHIRE AUTHORITY, AND VICE PRESIDENT FOR LEGISLATION, THE PUBLIC HOUSING AUTHORITIES DIRECTORS ASSOCIATION

Mr. HIEBERT. Chairwoman Waters, Ranking Member Biggert, and committee members, my name is Curt Hiebert.

And I congratulate you. It took my wife 6 months to get my name correct.

I'm executive director of the Keene—

Mr. SHAYS. Before or after you were married, sir?

[Laughter]

Mr. HIEBERT. We were only on a first-name basis before we were married.

[Laughter]

Mr. HIEBERT. I'm executive director of the Keene Housing Authority in Keene, New Hampshire, and also vice president of PHADA, which is the Public Housing Authorities Directors Association, and I'm here to speak on behalf of the PHADA members.

Our association was founded in 1979 and represents over 1,800 housing authority chief administrative officers.

We're grateful that this subcommittee is interested in pursuing this bill. It is a wonderful reform initiative that started during the last Congress and remains a matter that all of us are interested in.

The draft bill language that PHADA has reviewed reflects significant improvements over the bill reported last year, and in general, we support the legislation.

We're especially pleased with the treatment of assets, the treatment of base housing allowance income, and other provisions, including the Section 8 inspections provisions, the simplification of the medical deduction, elimination of imputed income from assets, and the other things are very attractive changes.

There are a couple of items which we have some concerns about and would be glad to work with the committee to seek to rectify them. One of them is the effect of the rent reforms on public hous-

ing. We did some analysis of figures coming back from the Office—the Budget Office, and did an analysis and an estimation that these could potentially cause between $100- to $200 million loss of revenue to public housing authorities, so we think this bears some extra scrutiny and would be glad to work with you on that.

Another thing that we would like to see that was not in the draft is what was retained in the bill last year, which was the moving to work, and I would like to echo some of the things that were said by Mr. Ramirez.

We would like to see the permanence of the program. We would like to see it expanded. We would like to see an evaluation portion put into that to be able to analyze some of the things that have been done very innovatively by some housing authorities.

I'm speaking on a non-biased basis, having been an MTW agency since 1999.

But we would like to see this not continue to be such an exclusive club with just less than 1 percent of the housing authorities involved with the flexibility that's enabled by moving to work, but instead increased, and would be glad to work with you on that language, as well.

We also, PHADA supports the Section 8 provisions that return the program's funding allocation system to a unit and cost basis with provisions for modest reserves, allowances that help agencies recover utilization loss since 2003, and help agencies absorb local housing market availability.

I'll be glad to answer any questions that you may have, and again, PHADA is glad to support the efforts of this subcommittee in working on this bill.

[The prepared statement of Mr. Hiebert can be found on page 98 of the appendix.]

Chairwoman WATERS. Thank you, very much.

Now, I must ask Ms. Zaterman, is it Sunia or Sunia?

Ms. ZATERMAN. It's neither. It's Sunia.

Chairwoman WATERS. Sunia.

Ms. ZATERMAN. Even simpler.

Chairwoman WATERS. Ms. Zaterman, executive director of the Council of Large Public Housing Authorities.

STATEMENT OF SUNIA ZATERMAN, EXECUTIVE DIRECTOR, COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES

Ms. ZATERMAN. Yes. Thank you, Madam Chairwoman, Ranking Member Biggert, and members of the subcommittee.

My name is Sunia Zaterman, and I'm the executive director of the Council of Large Public Housing Authorities. We'd like to thank you for the opportunity to present CLPHA's views on the SEVRA bill. CLPHA represents 60 of the large public housing authorities in the country, and on any given day, our members are serving more than a million households. They manage almost half of the Nation's public housing stock and administer 30 percent of the Section 8 housing assistance program, and we estimate there are likely to be another million households waiting behind those households trying to get in.

We welcome this new Congress and your renewed emphasis on the central importance of preserving, protecting, and expanding af-

fordable housing opportunities. Public housing authorities are facing unprecedented budget and program challenges, primarily the issue of inadequate resources.

Over the past 6 years, we have lived with the implementation of Administration policies and funding levels that are essentially death by a thousand cuts, forcing housing authorities to struggle to keep their doors open while continuing to serve community needs.

Despite a very difficult budget and regulatory environment over the past 6 years, housing authorities such as Boston, Atlanta, the District of Columbia, and a long list of others, have utilized tools like Hope VI and the moving to work program to greatly improve their public housing infrastructure and the delivery and administration of local housing programs.

We believe SEVRA marks a significant step forward in simplifying the administration and funding of the Section 8 voucher program. We support the provisions requiring inspections every 2 years and allowing authorities to rely on other governmental inspections. We welcome administrative changes to rent-setting and income determination, making it easier, without impacting funding levels.

Given that public housing is currently operating at an historic low of 83 percent of operating need, and the Administration proposes in their fiscal year 2008 funding to fund public housing at 80 percent of operating need, we are very concerned that these rent simplification provisions could lead to further reductions in operating funds and could have the unintended effect of serving fewer families.

We appreciate that these concerns have been taken into account and understand that the bill's costs are significantly lower than the CBO's estimates from last year.

We remain committed to working with the subcommittee to realize rent simplification without exacerbating the chronic underfunding of public housing programs. We are pleased that the subcommittee has introduced a formula that will be more accurate by using leasing and cost data from the preceding calendar year, thereby removing a 2-year lag in funding.

We must move back to a unit-based funding system. The bill indicates that unspent voucher funds will be recaptured on December 31, 2007. CLPHA recommends delaying the recapture of unspent voucher funds until the end of calendar year 2008.

HUD has yet to tell PHA's how much money they will receive under a new 12-month formula, and PHA's are very concerned about implementing aggressive lease-up plans without knowing how much money will be available to cover new voucher obligations.

A 1-year delay would give PHA's enough time to increase leasing, spend down fund balances, and align their programs to the new formula, and ultimately serve more low income families.

CLPHA strongly endorses the subcommittee's inclusion of a 1-month reserve for the first year of the formula. An adequate and stable reserve allows housing authorities to mitigate and protect against funding risks in a program that is driven by a number of market factors completely outside the control of the PHA.

We strongly encourage the subcommittee to allow PHA's to maintain a 1-month reserve during each year of the program. For a program of this size and scale, a 1-week reserve is simply too small. While the bill does not yet include—the revised bill does not yet include a moving to work section, we are hopeful that the final version of the bill will include a provision to permanently authorize and expand the program.

MTW is our laboratory for innovation, and more PHA's should have access to these tools. A review of the current MTW sites shows that they have raised the standard of housing services, used program flexibility to create jobs, added affordable housing stock, served more households, and helped families build savings.

They have also shown that they can operate and manage in a way that's accountable without needless and time-consuming HUD bureaucratic measures that add costs but add no value.

The concerns about tenant protections, targeting and rigorous evaluation, should be addressed in the MTW provision. That is why we have submitted suggested language to address these concerns.

Thank you very much for the opportunity to testify and we look forward to your questions.

[The prepared statement of Ms. Zaterman can be found on page 155 of the appendix.]

Chairwoman WATERS. Thank you, very much.

Mr. John E. Day.

STATEMENT OF JOHN E. DAY, PRESIDENT, DuPAGE HOUSING AUTHORITY AND EXECUTIVE DIRECTOR, KENDALL HOUSING AUTHORITY

Mr. DAY. Chairwoman Waters, Ranking Member Biggert, and members of the committee, I would like to thank you for this opportunity to address you today.

And thank you, Mrs. Biggert, for the wonderful introduction you gave me.

My name is John Day. I'm president of the DuPage Housing Authority, the DHA, and also the executive director of the Kendall Housing Authority, the KHA. Both of these are suburban Chicago countywide housing authorities which administer only a housing choice voucher program.

Currently, due to portability, the DHA is administering about 2,900 vouchers while Kendall is at 200. The authorized cap for DuPage is 2,571 and 160 for the KHA.

Among various programs that we participate in are family self-sufficiency, homeownership, development and preservation of affordable housing, and an employment program through a business incubator in our offices.

Overall, the proposed legislation has many positive items for a PHA and I support its passage.

There are a few areas I would like to discuss further.

In terms of operations, there are some very positive things with respect to inspections, being able to pay for units that had failures of non-life-threatening reasons will allow a PHA greater flexibility in helping to minimize the disruption of voucher holders' lives. Some even end up having to rent two units while the repairs are being performed, and only one unit can be subsidized at a time.

This last year, the DHA performed nearly 4,500 inspections. 1,146 of those failed due to non-life-threatening violations. 242 of those were new move-ins whose lives were disrupted. This can also be used as a tool to recruit new landlords.

As for biennial inspections, last year 65 percent of the DuPage Housing Authority units passed on their first time. Our inspection staff knows who the good landlords are and who are the ones who need more work.

There's also a check and balance with respect to administrative reviews on this, so I believe this is very helpful.

As for income reviews, last year interim recertifications was a substantial part of what we had to do. We did over 2,000, almost half of our total income reviews. The majority of these were for reductions. This will significantly reduce the paperwork that is involved that we have to deal with.

About 42 percent of our households are on a fixed income. The vast majority are either elderly or disabled.

By having reviews of their income once every 3 years, the net result will be reduction of administrative responsibilities, about a 14 percent saving in staff, overall staff time.

I keep mentioning administrative relief to PHA's. There is concern in the public housing industry, in talking to others in the field, that if you reduce some of the efforts we have to make, there's the possibility there will be a reduction in fees to follow.

I would say that if we free up staff time, as I hope this legislation will, it will allow us to do other efforts and initiatives that we wish to do, those being working more on portability and also increasing our outreach to landlords.

The DHA is one of those housing authorities that will lose money because of the continuing resolution. We have unspent balances which we would like to do. However, before we can do this, we need to know that we can go over our cap. We have people on a waiting list, we're pulling names off a waiting list constantly. We want to use our funds up, but the question is, can we go over that cap?

The last item I'd like to talk about is portability.

Mrs. Biggert will join me in saying DuPage County is a desirable place to live. Since 2003, we've had people port into DuPage County with their vouchers from 38 other States and from 30 other housing authorities within Illinois. Just last year, we had 509 total ports into DuPage County, while we had 188 porting outs.

To put it in perspective, about one out of every five voucher users in DuPage and Kendall Counties are ports from another county.

Now, as I understand, there's a proposed amendment which would require absorbing all incoming portable vouchers. The problem we have with this is, because, as you can see from the large number of ports in we have, we would never pull anyone from our waiting list, and I don't think that's fair to the residents of DuPage County, just continuing having the ports.

Now, if a PHA absorbs incoming portable vouchers and receives funding for those new voucher holders in next year's allocation, I think this solution, or this problem would be overcome.

In closing, I ask for your consideration of one additional item.

When the legislation is approved, and I'm optimistic about that, please leave the program alone for 3 years so PHA's can truly make it work. I am confident you will be pleased with the results.

I would also like to extend my appreciation to Arthur Donner, who is sitting behind me, the chairman of the DuPage Housing Authority Board of Commissioners, for joining me today.

Thank you again for this opportunity, and I'll be glad to address any questions.

[The prepared statement of Mr. Day can be found on page 86 of the appendix.]

Chairwoman WATERS. Thank you, very much.

Mr. Richard Godfrey, Rhode Island Housing.

STATEMENT OF RICHARD GODFREY, EXECUTIVE DIRECTOR, RHODE ISLAND HOUSING, ON BEHALF OF THE NATIONAL COUNCIL OF STATE HOUSING AGENCIES

Mr. GODFREY. Thank you, Madam Chairwoman, and Ranking Member Biggert.

I also want to thank you, Madam Chairwoman, for joining NCSHA at our town hall meeting earlier this week to talk about housing issues, and also for meeting with my counterpart from California, Terry Parker, and our executive director, Barbara Thompson, so that we can explore housing reform going forward.

I also had the opportunity this week to speak to my two Congressmen, Congressman Kennedy and Congressman Langevin, and they are extremely supportive of the efforts that you are taking and the direction of this bill.

I also yesterday spoke with the heads of our two largest public housing authorities, Providence and Newport, and they are very supportive of the direction of this bill.

I have submitted detailed testimony that addresses the direction of the Act, but I do want to address a couple of questions which were raised today by various Congressmen.

And with all due respect to my good friend, Orlando Cabrera, I can tell you that there are not enough vouchers in America today, and going to a budget based formula instead of a unit based formula has reduced the number of vouchers in Rhode Island by 20 percent over the past 2 years.

There have also been some questions raised about the validity of waiting lists. Well, we opened our waiting list 3 years ago, and the last time we did that was 10 years ago, and 10 years ago people camped out for 5 nights just to get on the waiting list for a voucher.

Three years ago, we thought we had a better system. We had an open application period and then we moved to a stratified lottery where we pre-screened the residents and then drew a lottery, so our least fortunate wouldn't have to get in line.

Notwithstanding that new system, people camped out again, because they were so desperate for a unit. And when all was said and done, people who applied are having to wait 10 years for a voucher.

And I spoke to the people who were on line, and there were young women with children, there were grandparents, and it's very hard to tell them, "You know, you need housing today, but the earliest I can get to you is 10 years from now."

And unfortunately, immediately after we went through that waiting list system, you went to a budget based formula. That budget based formula pushed that waiting list from 10 years to 15 years.

So the people I took onto the list in 2005 are going to have to wait until 2019 before they can get a housing unit. Those women with children, those children will be grown, and those grandmothers will not likely be with us anymore.

We then talk about moving to work. Well, you need a place to move to. In Rhode Island, we have people who are living in shelters and going to work. The average wage earner in Rhode Island earns $10 an hour. If you work 40 hours a week at $10 an hour, you would have to pay 60 percent of your income for the average rent in Rhode Island.

HUD's formula, they call it fair market, but it is neither fair nor market. We need flexibility, but for too long, flexibility has meant there's nothing left to cut, and we can't have that anymore.

We need flexibility, but we also have to have new programs, new programs to have an affordably housed America, so that when I walk the waiting lines and I talk to people, I don't have to say, "Gee, I'd love to help you, but it has to be 2019."

Madam Chairwoman, I want to thank you and I want to thank Chairman Frank for moving so quickly in bringing a new vitality and hope to housing in America.

For too long, we have been on the defensive, and we've had cuts and hurtful regulations.

But in speaking to my delegation this week and in speaking to my counterparts across the country, there is a new hope.

It's been a long, cold winter in Washington, and I'm not just referring to the weather. There is a warm breeze coming. I hope it blooms into housing for all Americans.

Thank you, very much.

[The prepared statement of Mr. Godfrey can be found on page 92 of the appendix.]

Chairwoman WATERS. Thank you very, very much.

I will yield to myself 5 minutes for questioning.

Let me just say to all of the panelists, I was talking with some of the staff back here about unit base versus what you guys are all complaining about, and I'm going to pay special attention.

They tell me we have something of a hybrid that is being proposed in the bill.

Everybody is shaking their heads like, "Well, tell me about this hybrid that I don't really, really understand at this point," that I'm going to pay very special attention to.

Let me start with Mr. Ramirez.

Mr. RAMIREZ. In brief, the formula that's being proposed in SEVRA goes a long way to rectifying a simply dollar based program where you're really capped at a dollar amount and unable to reach the number of families that you could with those dollars.

And again, the current distribution formula has shown to prove, or the one that was in effect for the last year has shown to prove to be very ineffective and creating a substantial imbalance.

SEVRA goes a long way to recalibrating and establishing with this 12-month view a fair distribution of those dollars, still sen-

sitive to the budget, but recognizing that we're trying to reach more families to serve.

Chairwoman WATERS. But am I to understand that's not good enough?

Mr. RAMIREZ. Well, certainly it does not go as far as the legislation prior to it being amended several years ago, which was a completely unit based system that allowed for full funding on those bases, but it does go a long way to bringing some stability and also maintaining some rigor on the funding side.

Chairwoman WATERS. Thank you.

Ms. Zaterman.

Ms. ZATERMAN. I just want to add, prior to 2004, when we moved to what was essentially a snapshot formula, housing authorities had a contract with HUD. It identified how many vouchers they had.

And they understood that within the fair market rent and payment standard constraints, that every one of those vouchers would be funded, and at that time, housing authorities were utilizing 97 percent of those vouchers, meaning 97 percent of that allocation was out on the street being used by housing authorities and households who were eligible.

Currently, we have an average of 90 percent utilization.

In 2004, Congress said, "You have a snapshot. We're going to look at a 3-month period of what you were leasing in this 3-month period and your funding is based on that amount.

"Regardless of who's on your waiting list and what you need in your community, you are only going to get this amount of money. You decide how many households you are going to serve."

What this does is move us back to more accurate leasing data instead of a very isolated short period of time, but it does not get us all the way back to a unit based system that says the Federal Government has said, "You can serve X number of households in your communities and we will provide the funding in order to do that," and that is really our goal.

Chairwoman WATERS. Got it. All right.

Mr. Godfrey, it has been implied that your waiting lists may not be really what you think they are, that there are people on the waiting lists, names that you have, who are perhaps not eligible, you need more income verification, perhaps they have dropped off, and they don't require your assistance anymore.

How good are your waiting lists?

Mr. GODFREY. How good can a waiting list be if it's 7 years old? And that's part of the problem.

When we talk about years on the waiting list, that takes into account all of the checking that comes down the line.

In fact, that actually understates the length of time, because as a person moves to the top of that waiting list, we start the screening early for eligibility, so that means we sift off those who are no longer income-eligible.

But what the 10-year waiting list means, or the 15-year waiting list means is, if you're on the bottom of that list, it's going to take you 10 years to find an apartment.

So yes, there are a lot of people on there who, when the time comes, may or may not have been qualified 7 years ago, but it

takes 10 years to get from the bottom of the list to even being considered for an apartment, and then the tragedy is, because of the FMR's in Rhode Island, it takes that person 6 to 9 months, and we've been having people turn them back because they can't find a landlord who will take the voucher at the FMR. It's just too low.

Chairwoman WATERS. Thank you, very much.

Ms. Biggert.

Mrs. BIGGERT. Thank you, Madam Chairwoman.

Mr. Day, what would it mean if you, with the HUD budget calling for removing the voucher cap so that the unspent balances can be used for the vouchers that you have above the cap, but right now, we have the CR, which is really going to take away that pool of money that you have reserved for those people that are capped so that you can't give them out?

Mr. DAY. Yes. I'm sorry, the—

Mrs. BIGGERT. Could you explain how this policy, number one, without removing the cap, will help you better anticipate costs and improve services, but also what does it mean with the CR now that has said that that money has to be returned?

Mr. DAY. The CR calls for us to return approximately $950,000. That's equating to between 100 and 110 vouchers less we will be able to help people

We won't necessarily have to put people out in the street, but what it means is it's going to be longer for people coming off of our waiting list because we don't have that pool of funds.

Mrs. BIGGERT. How many people do you have on the waiting list?

Mr. DAY. Right now, approximately 1,100, but we have not taken names on our waiting list since 2002.

Mrs. BIGGERT. 2002?

Mr. DAY. Yes.

Mrs. BIGGERT. So that means that those people that you could serve if the cap were limited right now, you would be able to give them the vouchers, but you can't do that, and then the pool of money will be gone.

How long would it then take you to get back a reserve to be able to—or you'd have to increase your numbers then to get the funding for 2008?

Mr. DAY. My estimation is close to a year.

We have a turnover in our program of approximately 1 percent a month. In addition, something I'll add, something I was notified of yesterday, and it was not discussed earlier, on absorption of portability.

I was notified yesterday that a neighboring housing authority absorbed 78 of our ports. We now have to make up those numbers, also, and I have to do that, in our position, also losing additional money, so I'm kind of getting it from both sides.

Mrs. BIGGERT. Okay.

How about the moving to work housing, would you like to be included in that?

Mr. DAY. I'd like to be the first person in line. Thank you.

Mrs. BIGGERT. Okay.

And why aren't you now? Is it because it's a smaller public housing, or just that there were so many, just so many housing authorities that could be in it?

Mr. DAY. Initially, and Mr. Hiebert can better answer that, because he is one, I believe it was in 1998 or 1997, that HUD offered this as a demonstration program. We did not make application at that time.

I've watched it since then. I've been very impressed with a lot of the results and abilities to help eliminate a lot of the obstacles in helping to provide quality services to our clients.

Mrs. BIGGERT. Okay.

Maybe, Mr. Hiebert, you could tell me a little bit more about that.

Mr. HIEBERT. Yes, thank you.

It was originally authorized in a bill in 1996, the Secretary was authorized to engage up to 30 housing authorities. I believe two were added since that point and a couple have left and done different programs.

But there have been slots available right now that aren't being used, but we would like to see more of them added.

Some of the things that have happened, for instance, just quickly, since 1999, in 1999, 47 percent of the families in my family housing were working full-time. Now 65 percent are. Income has increased by almost 30 percent in our families because we have policies that don't discourage it.

We consistently have right around 105 to 108 percent utilization of Section 8 because of the flexibility allowed.

I'm not saying that to promote the policies of Keene Housing Authority, but what I'm promoting is the fact that we were able to recognize our local conditions, our local demographics, our own waiting list, our own employment situation, and everything about our community. Other communities should have that ability, as well.

Mrs. BIGGERT. What would happen if you leased up over your cap?

Mr. HIEBERT. We would serve more people and that would be the only consequence.

Mrs. BIGGERT. Mr. Day?

Mr. DAY. If you keep the cap in place and I lease up above that, I have to pay for that out of our administrative fees.

Mrs. BIGGERT. Okay. Thank you.

I yield back.

Chairwoman WATERS. Thank you, very much.

Let's see. Who do we have next here?

Mr. Cleaver.

Mr. CLEAVER. Thank you, Madam Chairwoman.

Mr. Ramirez and I have worked together over the years. It's good to see you.

Mr. RAMIREZ. Good to see you, too, sir.

Mr. CLEAVER. Frankly, you answered all the questions that I asked the under secretary a few minutes ago, so I appreciate it very much.

The only remaining issue for me is the issue of scattered site housing with the Section 8 vouchers.

Do any of you have any recommendations on how we solve the problem of having vouchers actually only allow us to move into the poorest neighborhoods and then the demands from the public is,

you know, “It’s okay, we don’t mind having Section 8 in our community, but we want them scattered out.”

And you can’t scatter them because the vouchers won’t allow you to move into property outside of the lowest income, the lowest property area of a community.

Mr. HIEBERT. I have a brief answer to that one, and it’s under the moving to work flexibility.

Our contract is directly with our participants, and not with the landlords. They are allowed to choose where they want to go. There aren’t restrictions on the units that they may choose.

And if they want to be closer to where they work or where their kids go to school, they have the ability to do that and the freedom to do that under our program.

Mr. CLEAVER. But do you have—Mr. Ramirez.

Mr. RAMIREZ. I would go one step further in the interim, and that is that it’s a matter of dedicated resources, in trying to reach as many people that are served.

Currently, the vouchers can only go so far within the community, and as you move into other parts of the community that cost more to rent, that the subsidy cannot go deep enough to be able to house—

Mr. CLEAVER. Yes.

Mr. RAMIREZ.—families that can be served there.

So it’s, one, a question of resources, and two, I’ve seen many an agency around the country through our membership really get quite aggressive in trying to attract landlords throughout the entire community, and as a result, it has produced some fruit, but it’s really a question of resources and having a community make the difficult choice of do we serve more in pockets of the community that can house more or do we serve fewer and spread those families throughout?

So it does come down to resources being—

Mr. CLEAVER. Resources.

Mr. RAMIREZ. Yes, sir.

Mr. CLEAVER. Thank you.

I yield back the balance of my time.

Chairwoman WATERS. Thank you, very much.

Mr. Shays.

Mr. SHAYS. Thank you, Madam Chairwoman.

I’m wrestling with the fact that as I listen to people being on the waiting list for 5, 10, or 15 years, it sounds more like they’re trying to join a golf course or get a boating dock space.

If they’re so desperate to be in housing now, describe to me where they’re living, and am I to assume that after 5 or 10 years, they still qualify for public housing?

Mr. GODFREY. You can’t say one thing over another.

Many of the people are living in overcrowded conditions or substandard conditions. We have people who are working full-time, and living in homeless shelters.

So there are a lot of conditions that people are living in that are not suitable.

Or they could be paying 60, 70, or 80 percent of their income for rent, which is more often the case. They’re paying an extremely high amount.

And over the course of the waiting list, there are many people who do move off, who no longer qualify, who have a more stable situation.

But there are others, especially the elderly or the disabled, or the homeless veteran, whose opportunity for increasing their income does not come along, so they remain on the list forever, because their income is relatively static and will be for the foreseeable future.

Mr. SHAYS. The Administration has continually tried to get rid of Hope VI grants because they say people aren't using them, and they've actually been a Godsend in more expensive parts of the country, because frankly, you can attract all income levels, and you can rebuild an area.

And I literally have young men and young kids who live in housing facilities that—I used UBS employees, but these kids literally have at these housing units a pool, a workout room, and if they go to the workout room, they're not listening to young men and women talk about drug deals. They're talking about how they made money in some deal that was legal.

And what I wrestle with is that when we decided to go to vouchers, we lost ownership, and so we just see as inflation goes up, and so big surprise, that half of HUD's budget are Section 8 vouchers.

So what is—isn't there logic in getting housing authorities to own, in essence, so many units at a commercial site, and we buy into it, and then when one unit clears, maybe a rental person goes in, and then next time a rental person leaves, it's someone under public housing.

Wouldn't that be a better formula than what we have now?

Mr. RAMIREZ. May I?

Mr. SHAYS. Sure.

Mr. RAMIREZ. Quickly on two points.

One, there's a constant misperception that's being promoted by some that this program has eaten up the HUD budget and that somehow it's spiraling out of control in cost.

And I would be glad to submit the GAO report that was put out recently that shows that year after year, adjusting for inflation, the Section 8 program has only grown by 4 percent.

And so—

Mr. SHAYS. That's counterintuitive to me.

I mean, adjusted for inflation, my units in Stamford could go up 10 percent. That's inflation.

Mr. RAMIREZ. And the market, under the Section 8 program, would reflect that your increases in rent may have gone up 10 percent, but in Laredo, Texas, they went down 20 percent, and so it adjusts for the markets throughout the Nation.

Mr. SHAYS. Well, what happens is, we get less units. That's the bottom line.

Mr. RAMIREZ. Well—

Mr. SHAYS. I'm just making the point, though. So you made a point, and I accept, and I'll look into it.

Mr. RAMIREZ. We'll submit it for the record, if you'd like.

Mr. SHAYS. But I get to this issue of by not owning, we are like the person who is a renter all their life. They don't enjoy the—shouldn't the taxpayer enjoy being—you get my point.

Ms. ZATERMAN. If I could just—

Mr. RAMIREZ. On the Hope VI, I'll let Ms. Zaterman speak to the Hope VI.

Ms. ZATERMAN. Thank you.

I think the point that you're raising is very critical. We need to move back to a balanced housing policy that addresses both the demand and the supply side.

And we've invested a great deal in the voucher program. It's a very successful program that addresses affordability, but it also has to be responsive to an inflated market.

When we own units, we can control costs, and now we are at a point, the average unit cost for public housing is significantly less than it is to pay for a voucher.

And so we would like to see, partly because we've had significant cuts, but it also is a way to control costs and control the property, and I think it's very important that we look both through Hope VI, through perhaps targeted tax credit programs for public housing, and through the moving to work, where we can actually produce additional units, where we can control those costs over time.

Mr. SHAYS. Thank you.

Chairwoman WATERS. The gentleman's time has expired.

Mr. Clay.

Mr. CLAY. Thank you, Madam Chairwoman.

In reading testimony, I noticed a difference of opinion on the moving to work program, and Ms. Zaterman favors inclusion of the moving to work program in the legislation.

Can you make the case for MTW?

Ms. ZATERMAN. Well, I can make the case. I can go back to 1998 when the Public Housing Reform Bill was passed and there was a bipartisan consensus that public housing had been saddled with unreasonable and burdensome regulations that did not add value.

The whole moving to work notion is to say, in a local market, I have to live in my local market, I have to be responsive to my customers, my residents, and my local elected officials, and let me have a plan that responds to that.

If I have too much public housing and not enough vouchers, I can fix the mix. If I need more supply and I need less vouchers, less tenant base, I can fix the mix. If I have a hot employment market, I can target training dollars. If I have a slow employment market, I can target dollars to provide self-sufficiency. If I have a big senior population, I can provide supportive services.

Today, I can only spend my dollar the way HUD tells me I can do it, in a very prescribed, and often not very responsive, way.

I believe—I know there's concern about the program. I believe there is a way to balance those concerns by having tenant protections, by keeping targeting provisions to ensure that very low income households are served, and that housing authorities are accountable, both to their residents and to their local community, and still provide the flexibility that they need to operate within their local markets.

Mr. CLAY. So in actuality, the working relationship is not really there between HUD and the housing authority, nor is the flexibility to allow a fluid program?

Ms. ZATERMAN. I couldn't agree more.

Mr. CLAY. Yes, Mr. Ramirez.

Mr. RAMIREZ. I would just add that on the flexibility side, that we had the assistant secretary earlier talk a great deal about creating flexibility and pushing for flexibility.

There are things regulatorily that HUD can do now that they could have done 7 years ago to relieve that burden and create greater flexibility, and allow agencies to do more to serve low income families, seniors, and disabled in our Nation, and that has not happened to date, to the level that it's talked about.

And the words are much more rhetorical than the actions that come out of those words.

Mr. CLAY. So the words sound good, but in actuality, they don't apply?

Mr. RAMIREZ. That is—

Mr. CLAY. Thank you. Thank you for that response.

I represent, as I stated earlier, the City of St. Louis, and on any given day in our public schools, about 20 percent of the student population happens to be homeless.

Do we, through the voucher program and the long waiting lists, do we contribute to that homelessness, and what do your agencies do when it comes across your desk, when you see that?

Perhaps we can start with Mr. Godfrey.

Mr. GODFREY. You're absolutely right. We have children who live in the shelters and they are on our waiting list, but they go to school every day from the shelter.

One of the items which would help turn the voucher into a production program is to allow greater flexibility in terms of the project-basing.

That way, we can work with our housing authorities to build more units, and bring all of the resources together, whether they're tax credits, or HOMF, and build new units.

And we have housing authorities, Providence Housing and Newport Housing Authority, who are willing to work with us, but as soon as they set aside project based units, it counts against them in their SEMAP score, and they lost those units.

So they can't participate in linking those units to production and to production of units which may provide the direct services that people need or in areas that are not deeply concentrated pockets of poverty.

If we're going to increase housing opportunities in the suburbs, then we need to be able to offer production so that we can have affordable housing there.

And so the flexibility to not count project based units against you would help a lot.

Mr. CLAY. Along those same lines, and perhaps you can take us there, Mr. Ramirez, or anyone else on the panel, has the replacement of units on a one-to-one basis kept abreast with the new development as it replaces public housing units, and Section 8 voucher units?

Mr. GODFREY. I am pleased to say that in our Hope VI development—we have one Hope VI development in Newport, and as a State requirement, we required one for one, which was not an easy task to accomplish, but working with HUD, working with the local authority, we did it. We agreed to it up front.

And so far, we have replaced 400 units out of the 500 units of public housing in this development, and we're very proud of that record.

Chairwoman WATERS. The gentleman's time has expired.

The Chair notes that some members may have additional questions for this panel, which they may wish to submit in writing.

Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

I would like to thank you all for coming today, for spending your time helping to educate us about what really goes on in the real world, so that we can incorporate that into our thinking and, thus, legislation.

Thank you, very much.

I will now call on the third panel.

This panel consists of: Ms. Sheila Crowley, president, National Low Income Housing Coalition; Ms. Barbara Sard, director of housing policy, Center on Budget and Policy Priorities; Ms. Janet Charlton, president, Triton Advisors, on behalf of National Leased Housing Association and National Multihousing Council; Mr. Andrew Sperling, director of government relations, National Association for the Mentally Ill Consortium of Citizens with Disabilities; and Mr. Phil Tegeler, executive director of the Poverty and Race Research Action Council.

Welcome.

Thank you, very much.

Without objection, all members' opening statements will be made a part of the record.

Let us begin with Ms. Crowley.

STATEMENT OF SHEILA CROWLEY, PRESIDENT, THE NATIONAL LOW INCOME HOUSING COALITION

Ms. CROWLEY. Thank you very much, Madam Chairwoman, Ranking Member Biggert, and members of the subcommittee, for the opportunity to testify today about your legislation to stabilize and strengthen the housing choice voucher program.

Let me begin by expressing our sincere appreciation to you and the members of your staff who have done a really terrific job of drafting sound legislation for this Congress, the bills on the bipartisan legislation, H.R. 5443, introduced in the last Congress, as well as the considerable work done over the last 2 years by most of us testifying here today and many others who have been wanting to protect and improve the voucher program.

The thoughtful process in which you have developed this legislation has produced a very good result, which will restore the credibility and the predictability of the program.

And restoring the credibility and predictability of the program is essential to getting to the solutions that have been—to the questions that have been raised by many members of the committee today, which is, what do we do about all the people on the waiting lists?

We have to get the voucher program back to a state of good functioning so that we can in fact begin to argue for increasing vouchers, and that's the fundamental question. How do we grow the pro-

gram as opposed to reduce it, which has been the effect of these policies over the last several years.

Just a quick thing about the scope of need.

Seventy-one percent of all extremely low income households in the United States pay more than half of their income for their rent. Those are households with incomes up to $16,860 in Los Angeles and up to $21,720 in DuPage County.

These are people who are elderly, disabled, on fixed incomes, and people in the low wage workforce; 71 percent pay more than half of their income for their housing.

Those are the people on the waiting list. That's why they're on the waiting list, because they cannot continue to sustain that kind of cost for their housing.

Among the many positive attributes of this bill are that it corrects the funding crisis that was created by HUD's snapshot formula. It simplifies the process for determining rent for each resident while incentivizing work and protecting elderly and disabled people with high housing costs. It streamlines the inspection process for owners who operate good properties.

It maintains the housing choice voucher program's income targeting to serve those with the most serious needs while adapting that to meet the needs of poor and rural communities.

It assures that all units of public housing that are lost to demolition or opt out are replaced by vouchers, not just those units that happened to be occupied at the time that they were closed.

It provides for recapture of unused voucher funds so that agencies that can use them are able to use them, and that we can work on the mobility and family self-sufficiency objectives of the program.

It helps tenants with good rent payments establish themselves as good credit risks.

And it facilitates greater use of the project based vouchers to support production of new rental housing.

A major improvement of the proposed legislation is that it does not include the moving to work program. We strongly urge that you not include that as you go forward.

Our friends in the public housing industry feel very strongly, and quite genuinely, that they need the deregulation from expanded moving to work in order to survive.

If you've been paying the slightest bit of attention, you know that public housing as an institution has been under serious assault in the last 6 years.

Systematic reduction of public housing funding streams has left many public housing agencies depleted and unable to maintain basic services and do even routine maintenance. This is unacceptable.

The National Low Income Housing Coalition stands side by side with our public housing partners to demand restoration of sufficient funds for them to be able to do their jobs.

However, we see expanding moving to work to other public housing agencies as an off-target response to the real problem of Federal disinvestment in public housing.

Moving to work is a demonstration program. We do not quarrel with promoting innovation and we think that should happen, nor

do we doubt that some moving to work sites have shown very good results.

What we object to is the complete failure of HUD to do what the legislation intended. That is, to evaluate the experiments that moving to work PHA's have undertaken. In the absence of evidence of effectiveness, how can Congress consider expanding it?

At the very least, we urge the committee to hold a hearing specifically on moving to work, hear from PHA directors and tenants, from local officials and local housing advocates, from the HUD inspector general, who has lots of things to say about moving to work, and the researchers who have tried to assess its effectiveness.

Form your own impressions of this program before considering expanding it.

We oppose any expansion of moving to work until current programs are properly evaluated and lessons learned are incorporated into the expansion program.

We look forward to working with this committee as you develop this bill for introduction, and support your efforts in getting it through the House and Senate.

Thank you.

[The prepared statement of Ms. Crowley can be found on page 80 of the appendix.]

Chairwoman WATERS. Thank you.

Ms. Barbara Sard.

STATEMENT OF BARBARA SARD, DIRECTOR OF HOUSING POLICY, CENTER ON BUDGET AND POLICY PRIORITIES

Ms. SARD. Thank you, Madam Chairwoman, and Ranking Member Biggert, for holding this very important hearing.

My name is Barbara Sard, and I am director of housing policy at the Center on Budget and Policy Priorities.

Thank you very much for holding this very important hearing on this extremely positive bill that will do a great deal to respond to and fix the problems that have occurred in the last several years, and many that had been in the program before that.

What I would like to briefly address is some of the questions that have arisen concerning the voucher funding formula, briefly on rents, and then highlight some additional changes that we hope you will include in the bill when it is filed.

You have heard a great deal already today about the real effects of the funding formula that was in use in the last 3 years. I think we're now in the position where we have to move off of theory and look at what has occurred and how do we fix the problems:

150,000 vouchers lost, $1.4 billion in unspent funds accumulated in the last 2 years, and our analysis shows that only one-third of that money is in reserve because it could not be spent, because of the authorized cap issue. Two-thirds was not spent and could have been.

Why wasn't it spent? That's the big question. And the answer is that what has occurred in the last 3 years was a system without the right incentives. It was an inefficient distribution of money in which agencies got the same amount regardless of how they performed. That isn't the way we ought to run a government program.

The policy in SEVRA is comprehensive, it is multi-faceted, and it is balanced to get at the efficient distribution of money and the right incentives to control costs, while at the same time responding to some of the needs that have been expressed on the committee, that in areas of the country where costs grow faster, you have to meet that need or you shrink the number of vouchers, as Mr. Shays said, where you have concentrations of vouchers and you want to expand where they can be used, as Mr. Cleaver was mentioning. Those problems are addressed by the formula in SEVRA.

There are a couple of issues that the members have raised that I think are important to look at more closely.

In the 2007 funding resolution, it is true, as you said, Representative Biggert, that about half of the agencies get less than they would have under the old formula, but there's the other half that get more, and that's always the case if we don't have more money to spend.

And if you look at the fairness of the situation, the agencies that got less this year are those that have large, often very large reserves, and in every case that we have looked at, the reserves far exceed—far, far, far exceeded, like four times—the difference in funding, whereas the agencies that got more money are those that have been cut each year and were facing having to cut another 13,000 vouchers, if the formula hadn't been changed.

But the important thing is that changing the formula is only a piece of what needs to be done. This committee really needs to make the voucher funding formula part of the permanent authorizing statute, and to do it in a balanced way that considers issues over time.

There are a few issues that you've raised that I'd like to respond to.

One is this question of should the formula be re-benchmarked annually, or every 2 years, or every 3 years?

And there's no magic answer to this. What I want to emphasize is the interrelationship between the answer to that question and other features of the policy.

If you do not re-benchmark annually, that means you're going to fall behind what is really needed to pay for the vouchers in use.

And Mr. Cabrera actually told you why that's the case, and the answer is that the inflation factors that HUD uses are 2 years out of date.

So if you wait 2 years, you're inflating on out of date data, and the inflation factors only look at rent costs in the market, they don't look at tenant incomes.

So if you've had a change in a community because a factory closes and you re-benchmark only every 2 years, you are doing nothing to make up for that agency's added need for funding.

Well, you could do that if you wanted to, but then the agency had better have a substantial reserve, or it is going to have to cut at exactly the time it needs more money.

And one of the things that SEVRA does in a constrained fiscal environment is avoid the old policy of having to spend extra money to fund reserves.

It creates a mechanism where the agencies that need the most money get it through a recycling process. That is the cost-efficient way to do it.

And on the authorized cap issue, we are fully supportive of agencies being able to serve as many needy people on the waiting list as they can.

The hard question is what does exceeding the authorized cap in one community do to another community? So maybe we can—

Chairwoman WATERS. Unfortunately, we are going to have to go to the Floor. There is a vote going on.

We have about 5 minutes to get up to the Floor, and I understand it is a series of votes, and it's going to take us anywhere from 30 to 45 minutes to get back.

I would like to say to you that if you need to take a break, this would be the time to do it.

We would hope that those of you, certainly, who have not testified, would stay.

We would hope that those of you who have would stay so that we could ask some questions.

I will return. At least several of us will return to complete the hearing with you.

It's unfortunate, but that is just the way it works.

So thank you, very much.

[Recess]

Chairwoman WATERS. I would like to thank all of our witnesses for their patience.

Unfortunately, we got into trouble on the Floor, and it took much longer than we thought that it would take, but I do appreciate your remaining here for this length of time.

I think that, where were we? We were moving to Ms. Charlton. You had completed your testimony, right, Ms. Sard?

Ms. SARD. Yes.

[The prepared statement of Ms. Sard can be found on page 127 of the appendix.]

Chairwoman WATERS. So next we will have Ms. Janet Charlton, president, Triton Advisors, on behalf of the National Leased Housing Association.

STATEMENT OF JANET S. CHARLTON, PRESIDENT, TRITON ADVISORS, INC., ON BEHALF OF THE NATIONAL LEASED HOUSING ASSOCIATION, THE NATIONAL APARTMENT ASSOCIATION, AND THE NATIONAL MULTIHOUSING COUNCIL

Ms. CHARLTON. Thank you, Chairwoman Waters.

My name is Janet Charlton, and I'm president of Triton Advisors, based in Rockville, Maryland, and I'm here today on behalf of three trade associations: The National Leased Housing Association; the National Multihousing Council; and the National Apartment Association.

These groups represent the Nation's leading players in today's market rate and government assisted apartment industry.

Due to the timing, I think I will totally digress from our prepared testimony. Obviously, since the members of the committee have copies of that, I hope that if there are any questions per-

taining to anything that's in the written testimony, that you would contact us.

And what I would like to do, basically, is focus on two comments that I've heard made today.

Most of the day we've heard comments that, indeed, the waiting lists for the Section 8 Voucher Program are intolerable.

And we've also heard that, and I've been in this business for quite a while, that HUD is somehow statutorily required to have their fair market rents lag 2 years behind current times.

I've never seen that to be true, that they're statutorily required to. That they lag 2 years behind, absolutely. That they even sometimes lag 3 or 4 years behind, absolutely.

And what all of this has done is not allowed, not incentivized the private sector to become more involved with this program,

If there are waiting lists, doesn't it appear obvious that that's due to the lack of product that's out there for these people to use for their housing resource?

Some of the comments that are in this bill are terrific, some of the provisions which would allow for decreasing some of the administrative burden that not only taxes onto the PHA's and certainly disincentivizes the owners, because it's much move expensive for an owner to rent to a subsidized tenant than it is to rent to a market rate tenant.

If a market rate tenant walks into a unit, they want to take it, but they notice perhaps that, you know, there's a bump in the door or there's a slash in the screen, they ask the owner, "Sure, I'll sign the lease, we'll have an addendum that those will be fixed."

We can't do that with subsidized residents. They have to then go back to the PHA, and the PHA has to come and inspect. They can't sign a lease until it's fixed.

And then once the lease is approved, he still has to go through another burden of paperwork.

So what do you have there? You have a family who doesn't have any housing. You have an owner that's there within a vacant unit, not collecting any rent, and owners don't like to do that. It doesn't incentivize them to even tolerate any of the delays in the program.

So with the provisions in this bill that perhaps would allow for PHA's to have the discretion, if indeed they knew the owner, if they knew the property, if it's been inspected by another program, to alleviate those inspections, you might see more product coming on-line. I'm sure you would.

If, in conjunction with that, you get the department to issue its fair market rents in a somewhat market coordinated manner—if the market can keep up with itself, why can't HUD? They have the same computers. They have the same access to information. To allow this to go on and on and on has been unforgivable.

There was no shortage of private participation in the program when there was a project based portion to Section 8. That's how these properties were built. The Section 8 project based are indistinguishable from market rate properties.

The voucher program can and should be allowed to operate in that exact same way, indistinguishable from market rate tenants.

My final comment is—and again, there's a number of other points in our testimony—in order for the Section 8 Voucher Pro-

gram to work as effectively as it can, some changes should be recognized to tie the program closer to a low income housing tax credit program.

It's the only new construction deal in town. It makes not only new units available, but it preserves those units that certain existing owners are considering opting out.

If you can increase the amount of project based Section 8 through attaching vouchers to these units, it will extend their affordability, it certainly creates a larger resource than what's available now, and you're bringing the private sector, the private sector owners back into the game, because without them, there's not really a game going on.

The residents are hurting, and we need to remember, at the end of the day, we're housing people.

The last comment, when I heard these comments made about, you know, the insufferable burdens that PHA's go through with income certifications, you know, and the owners, the idea of going to a 3-year certification for fixed income residents is fabulous, because if I can only tell you the amount of fretting that goes on in an elderly property when these folks know they have to come up with their annual recert, and they've gotten a little increase last year in their Social Security, and is that going to put them over the top, are they going to have to move—you can't believe the rumors that rifle through a property when things like that happen.

And these people shouldn't have to fret about those things in life. They have enough other things that they have to focus on.

Chairwoman WATERS. Thank you, very much.

Ms. CHARLTON. Thank you very much.

[The prepared statement of Ms. Charlton can be found on page 74 of the appendix.]

Chairwoman WATERS. Mr. Andrew Sperling.

STATEMENT OF ANDREW SPERLING, DIRECTOR OF LEGISLATIVE ADVOCACY, NATIONAL ALLIANCE ON MENTAL ILLNESS, ON BEHALF OF THE CONSORTIUM FOR CITIZENS WITH DISABILITIES HOUSING TASK FORCE

Mr. SPERLING. Thank you, Chairwoman Waters, and members of the subcommittee.

My name is Andrew Sperling, and I'm the director of legislative advocacy for NAMI, the National Alliance on Mental Illness. I'm here today representing the Consortium for Citizens with Disabilities Housing Task Force. CCD is a coalition of national disability organizations representing both people with disabilities, their service providers, and their families. Among our organizations are United Cerebral Palsy, The Arc, United Spinal Association, Easter Seals, Lutheran Services, NAMI, and others.

I'm here to deliver a message on behalf of the disability community and the CCD Coalition with respect to the SEVRA legislation, which we strongly support. Section 8 is an absolutely critical resource for people with disabilities, particularly people with disabilities who live on SSI and SSDI.

In a couple of weeks, we'll be presenting to this subcommittee our Priced Out report for 2006. This will be the fifth report we've done comparing SSI income levels to fair market rents.

What we are finding is that a picture that we thought couldn't get any worse, is actually finding a way to get worse.

The affordability gap between what a tenant, someone living on SSI in the community, can afford to pay and fair market rents for zero and one-bedroom apartments has actually doubled since 1998.

SSI is now at 18.2 percent of median income and falling. In order for someone living on SSI to rent a modest one-bedroom apartment at the HUD fair market rent, on average, nationally, that consumes 113 percent of their monthly income—113 percent of their monthly income. For an efficiency, it's 101 percent.

People with disabilities who rely on SSI for their basic needs, people with severe disabilities, are completely priced out of the rental housing market. They must have rent subsidies, and Section 8 is a program that has to meet their need. It is the critical resource.

As a coalition, our CCD coalition supports SEVRA. There are some long-overdue reforms to the Section 8 program that are part of this. We supported the legislation last year, and we look forward to supporting it again this year.

It would bring about a more effective funding formula. It streamlines the process for rent determination, which is absolutely critical for people with disabilities whose incomes are static and not going up, because they're on disability benefits, and maintains, very importantly, maintains the extremely low income targeting for the Section 8 program.

Section 8 must remain targeted to those with extremely low incomes, particularly people with disabilities.

A couple of other notes. I'd like to summarize my testimony,

We support the project based reforms that were proposed last year by your colleague, Ms. Velasquez from New York. We believe that these reforms need to be a part of this legislation. We would urge you to include those in the legislation for this year.

CCD also has very strong reservations about any expansion of the moving to work program. We recognize that this is now, as you've heard the testimony today, there's lots of varying opinions on this.

From the perspective of the disability community, representing people living on SSI at 18 percent of median income, allowing housing authorities the kind of flexibility to increase the rent burden on people with disabilities, allowing targeting of resources to higher income households, we believe is a very dangerous policy to go down, and would actually result in the Section 8 program serving fewer people with disabilities.

I would urge this subcommittee not to include any kind of expansion of moving to work in the legislation.

Finally, I want to note that there are now approximately 64,000 vouchers out there that Congress made a decision over the years to target to non-elderly people with disabilities. These are 50,000 vouchers that Congressman Rodney Frelinghuysen from New Jersey, your colleague, placed in the appropriations bill over a period of years.

There are also tenant-based rent subsidies funded under the Section 811 program. There are approximately 14,000 of those.

We at CCD have a number of concerns about the way HUD has tracked those vouchers to ensure that housing authorities continue to target those vouchers to people with disabilities upon turnover.

There was guidance that was put out in 2005. We want to try and work with this subcommittee to make sure that housing agencies that have those vouchers continue to target them to people with disabilities upon turnover so those resources aren't lost to the larger pool.

Thank you very much, Madam Chairwoman.

[The prepared statement of Mr. Sperling can be found on page 143 of the appendix.]

Chairwoman WATERS. Thank you, very much.

All right, let's see. Who is our last witness here?

Mr. Phil Tegeler.

STATEMENT OF PHILIP TEGELER, EXECUTIVE DIRECTOR, THE POVERTY & RACE RESEARCH ACTION COUNCIL

Mr. TEGELER. Thank you, Chairwoman Waters.

I'm with the Poverty and Race Research Action Council. We're a civil rights policy organization in Washington, D.C.

As several members of the committee have pointed out, a central purpose of the Section 8 program is to give families a meaningful choice to move to areas of lower poverty and higher opportunity.

In this context, it is important to understand the damage done to this program in recent years.

In our written testimony, we have included a consensus statement of over 50 national, State, and local civil rights and housing groups in support of Section 8 voucher reform.

Footnote 1 of our written statement lists some of the restrictions to housing choice that have occurred under the current Administration.

I'll briefly summarize those, because it's an important context for this discussion:

Limits on exception rents that have limited the ability of families to move out to higher rent, lower poverty areas in recent years under HUD's administration of this program;

Cuts in mobility counseling all over the country. Small, efficient mobility counseling programs in many highly segregated metro areas closed down in the early years of this Administration and not re-funded;

Financial disincentives to portability, the ability to move across jurisdictional lines and into higher rent jurisdictions. You've heard about that already;

In some cases, explicit restrictions on portability by HUD on top of all of the bureaucratic barriers to moving across city and town lines, as you've already heard.

We think the current draft bill begins to repair this damage, but respectfully, it does not go far enough. We support the new budget formula in the bill and especially the use of reallocated funds for excess portability costs. This is a very important provision and removes a major disincentive to portability on the part of housing authorities.

But we urge the committee to go further in the following ways:

First, to reform the portability system entirely to require mandatory absorption of vouchers by receiving PHA's, eliminate the billing procedures, make it a cleaner and easier process for a family to move to a community of its choice;

Secondly, reinstate the exception payment standards system so that families can move to higher rent areas, that there be a tiered system within metropolitan areas of different rent structures for different market, sub-markets within an area;

Reauthorize the mobility counseling program that assisted families to find housing and move into housing outside the usual neighborhoods that were described earlier;

Use deconcentration as a factor in the performance assessment of PHA's, an explicit factor;

Encourage cooperation and regional administration of the voucher program.

Now, some States have already started to do this. Connecticut and Massachusetts are good examples of States that are experimenting with regional administration of vouchers to eliminate these border disputes and billing difficulties.

We recommend that the committee consider some pilot programs and incentives for PHA's to get together and cooperate more;

Finally, looking forward, and perhaps this is beyond the scope of the present bill, but I think we need to ask what will this Congress do to build on the Moving to Opportunity program?

What is the next Moving to Opportunity program going to look like? What dramatic steps is Congress going to take to help families move voluntarily to areas of greater employment opportunity and better schools?

The answer is going to be found in the Section 8 Voucher Program. It's the only housing program we have that offers this opportunity, and it is up to Congress to press HUD to make it more of a choice-driven program.

Thank you.

[The prepared statement of Mr. Tegeler can be found on page 149 of the appendix.]

Chairwoman WATERS. Thank you, very much.

I do appreciate, again, the time that you have spent.

As you can see, our members are not here. Our ranking member tried to remain, but she really had to catch a plane. She just had no other choice.

But I think that, given the testimony that we have heard today, we have learned a lot about not only your thinking, but that of some of the others who testified before you.

So I'll just take all the time that I want to talk with you, since everybody else is gone.

Let me just ask a few questions.

A lot has been said about portability here today, and I was trying to focus on a discussion that I was involved in some years ago about portability.

And it seems to me that the problem does not simply lie with HUD or with the housing authorities, but it seems to me that we had elected officials, some of them members of city council, and others, who were adamantly opposed to portability that would

bring people into their communities that they thought should not be there. It's called racism.

Are you familiar with that part of the argument, that there are communities who do not wish to have Section 8 tenants in their community?

Who would like to take that?

Mr. TEGELER. I'll start, Chairwoman Waters.

The beauty of the Section 8 voucher program is that there is no city council or board of selectmen anywhere in the country that has anything to say about whether families can move into their towns.

And not only that, because it's a program that operates one family at a time, there is a chance for real integration to occur, there's not a huge zoning battle and a 4-hour meeting at night about whether to rezone a parcel for a 20-unit development.

The family has the right to move in, and the city or town has no say in the matter, and that's the way the law is set up.

And frankly, in my experience in my past life as a civil rights litigator, many towns are very happy with that arrangement, because they don't want to have to decide, you know, how many of these low income families are going to be allowed into our community.

It's important that it not be something which is subject to local control.

So that's my one feedback there.

Chairwoman WATERS. How many—well, I guess you all understand that the housing authority chiefs are appointed, are they not? And who are they appointed by? Mayors. Who votes on their confirmation? Members of city councils.

I saw some of this and the influence of that in a particular area. Part of it was in my district.

Yes, Ms. Sard, you're trying to say something.

Ms. SARD. I think you're putting your finger on something very important, very subtle and difficult to get at.

And while it is true that the Section 8 program has the potential to be kind of integration by stealth, there is still a lot that the administering agencies can do to promote it or to hinder it.

The bill as drafted in the discussion draft goes very far toward solving the new problems, the new hindrances to portability that were created by the funding formula, but it doesn't do anything to fix the problems that had been there from 2004 and earlier.

And the truth is that this is a program that doesn't accomplish as much as many of us would like to see to really promote choice of where people can live.

There are several changes that could be added to the bill that would really advance these goals.

One is the proposal that's been discussed, to require housing agencies to absorb the vouchers that move in, using the funds that are recycled within the bill to help pay for that.

And if you did that, then the issuing agencies wouldn't have a disincentive to promoting portability, and the receiving agencies might be encouraged, because they would get more money. So that helps.

Chairwoman WATERS. All right.

Ms. SARD. But that doesn't go far enough, either, and we strongly recommend that you add to the performance assessment section of the bill a specific requirement that performance be assessed on achievement of deconcentration of poverty objectives.

Chairwoman WATERS. Very interesting. Okay.

Ms. SARD. And we have a proposal, proposed language that we submitted to staff, which I'm happy to send again.

Chairwoman WATERS. Okay. Very well.

I'm very interested in that, because I think you make a good point.

The other thing that was brought to my attention today that I'm very interested in, and you have to give me a better feeling and understanding of, is are housing authorities interested in building rental units?

Ms. SARD. A number of them are.

I think that the experience over the last 5 years with the changes that Congress made in 2000 in the project based voucher option has been one of the most positive and encouraging things that has happened in the low income housing world.

And in order to encourage development, one of the things that housing authorities can bring to the table is the vouchers to project base to promote development.

Some of them have other authority with other money, some of them don't, but that's a key thing that within this bill you could do to promote that.

And in addition to the two provisions that people have spoken in support of that are already in the bill, there is a package of nine other changes to the project based voucher section that have been worked on by a very broad-based group of stakeholders that would make this aspect of the voucher program work even more effectively to promote rental housing development.

Chairwoman WATERS. And that's coupled with low income housing tax credits?

Ms. SARD. In part, not only.

Chairwoman WATERS. Not only?

Ms. SARD. Not solely, but in part.

Chairwoman WATERS. Okay.

Ms. CHARLTON. The important part of taking the project based and attaching it to the property is the lending community.

They're not going to be able to build new construction, whether it be a housing authority, whether it be the private developer, unless you have that subsidy attached to the project. It can't leave with the resident, or you're not going to find a strong lender that will do for you what you need done.

Chairwoman WATERS. Okay. We'll pay a lot of attention to that.

The other thought that emerged here today was housing authorities doing more to recruit and work with landlords.

I suppose each housing authority is different. I suppose you don't have any real money in the budget to really do a lot of outreach and training sessions and getting together and incentivizing.

But what do you do? What do you do to get landlords interested in wanting to be a part of our Section 8 program?

Ms. SARD. I'm happy to take that one.

Chairwoman WATERS. Yes.

Ms. SARD. There are housing authorities that have worked through this problem. HUD put out a publication, under the Clinton Administration, that pulled together some of the best ideas that housing authorities had come up with.

It does cost money, which raises the question of the adequacy of the administrative fees.

One of the reforms in the discussion draft would be to return the administrative fee in the program to a payment for units leased.

Well, if agencies get paid for their success in leasing, then they're going to do more to make sure they can lease. It's just common sense.

And that has been one, in my opinion, it's been one of the biggest reasons for the decline in voucher use over the last 3 years, is that agencies were no longer paid for performance, and we have to go back to a pay for performance system.

Chairwoman WATERS. Yes.

Ms. CROWLEY. Two comments on how to get landlords to be more interested in the program.

First, in terms of an incentive, the places where housing authorities operate efficiently, they get their inspections done quickly, they get their payments out quickly, they are good partners, are places where landlords are interested in doing that.

So to the extent that housing authorities are incentivized to be good partners as opposed to being somebody that the landlord has to hassle in order to collect the rent, then that obviously is an important thing to do.

The second thing is, getting back to your question about the issue of not accepting voucher holders, whether it's moving across the country or moving into the neighborhood, is the ability to use rejection of a voucher holder as a tenant as a proxy for rejecting a person for some other reason.

And there are a couple of States and a handful of jurisdictions where it is illegal to reject a tenant on the basis of their source of income.

There's no Federal protection along that line, and there isn't, and in most places, there is no protection along that.

So one of the things that would be a very useful thing to do, I think, is to really look at the fair housing community to develop testing programs where you can begin to really document, is this rejection of voucher holders based on their voucher holders or is there something else going on?

And I think that would really give us—I mean, I have my instincts, I have my anecdotes. But that would give us a lot of really good data on which to develop future policy around how to make the voucher program work better.

Chairwoman WATERS. Yes.

Mr. TEGELER. Just briefly to follow up.

Some of the other recruitment tools that have been used in the past, especially in high opportunity areas, some of the better functioning mobility programs have sometimes used one-time payments to landlords as an incentive device to recruit them into the program.

Also, the idea has come up, which I think Barbara alluded to, of performance incentives to PHA's, not just for their lease-up rate,

but for their lease-up rate in high opportunity, low poverty areas, and reward PHA's financially for doing that.

Finally, and most importantly, it's the rent structure that's most important in getting entry into high opportunity communities, and as you know, the fair market rent system and the way it's calculated, you know, goes to the mean in a particular region, and the inner city rents pull down the regional average, to the extent that in some metro areas, the FMR won't even reach into some of the higher opportunity areas.

And we're not talking about, you know, single family bedroom communities. These are lower poverty areas that have lots and lots of rental housing.

And if you had a more realistic rent structure in these metro areas, with tiers, as some States have done, of different rent levels for different areas, you could gain more access and successfully recruit landlords in those communities.

Chairwoman WATERS. Well, you all have made it very, very clear that it is absolutely unacceptable for HUD to use data that's 2 years old to determine market rate of the value, so I think we can do something about that.

I don't know if it's a tactic that's used in order to reduce the number of participants or what, but I do think that that's just too easy to conquer.

So we'll certainly take a look at that, also.

Yes, were you trying to say something, Ms. Sard?

Ms. SARD. I was just going to say that the excuses that HUD has had in the past, whether right or wrong, no longer apply, because starting in 2008, the data will be available from the American Community Survey to do both the fair market rents and the inflation factors on a much more current and local basis.

And if we did not only current but also more local, we would address a number of these problems.

Chairwoman WATERS. Well, I thank you all for your patience and for being here today.

Some members may have some additional questions for the panel, and they may submit it to you in writing, so without objection, the hearing record will remain open for 30 days for members to submit written questions to all of you, and to place your responses in the record.

And with that, this hearing is adjourned.

[Whereupon, at 2:53 p.m., the hearing was adjourned.]

A P P E N D I X

March 9, 2007

Statement of Representative Gary G. Miller
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

Hearing Entitled: "The Section 8 Voucher Reform Act"
March 9, 2007

I thank Housing Subcommittee Chairwoman Waters and Ranking Member Biggert for convening this hearing today to consider reforms to the Section 8 program.

Over the years, Congress has grappled with issues regarding the skyrocketing cost of the Section 8 program, under-used vouchers, and the general management of the program.

The cost of the program is growing so rapidly that HUD's other programs, including public housing, homeless programs, CDBG, HOPE VI, and many others are suffering as a result.

If Section 8 is to remain viable, we must take steps to reform the program.

During this time of budget constraints, Congress is struggling to renew existing vouchers.

As we try to reform this program, we must remain mindful that it is not feasible for the federal government to continue to increase funding for the program without enacting meaningful reforms.

The Section 8 program must implemented in a way that is fiscally responsible.

Section 8 Reform Progress in 109th Congress

With this goal in mind, in the 109th Congress I introduced H.R. 1999, the State and Local Housing Flexibility Act of 2005, to help make the Section 8 housing program work better and remain available to those in need.

Specifically, this legislation would improve the delivery of housing assistance to families in need by providing flexibility to local public housing authorities (PHAs) and holding them accountable for results.

Additionally, the legislation would allow PHAs to serve as many families as possible within their grant amount, rather than being held to a specific number of vouchers.

Rather than H.R. 1999, the Committee passed a different bill to make changes at the margins of the Section 8 program.

While H.R. 5443 made important improvements to the inspection process and income verification process, the bill did not truly address the fundamental weaknesses in the Section 8 program.

If we pass a bill this year, let us pass one with true reforms not just one that gives the perception that reform was accomplished.

We can do much more than merely provide changes on the margins.

We should encourage PHAs to operate in an efficient, cost-effective manner to serve the maximum number of low-income tenants. For example, eligible PHAs should have the chance to be innovative in their efforts to move families to self sufficiency.

Further, we must address the long list of those waiting for Section 8 assistance. The average length of time families spend on the waiting list for subsidized housing in the United States is more than

two years. In cities like Los Angeles, the wait is approaching 10 years.

How can we justify a situation where one person is given unlimited federal housing assistance, while another who might have greater needs is on the waiting list and forced to fend for themselves for almost ten years?
The answer is not to allow this program to continue to grow out of control.

Rather, we must reform the program so that participants can transition to self sufficiency within a reasonable period of time, giving more families the ability to benefit from our nation's temporary helping hand.

Conclusion
I believe we have worked in a positive, bipartisan manner thus far and I look forward to working with my colleagues on both sides of the aisle on a bill that truly reforms this program.

As we move forward, we must remain mindful that it is not feasible for the federal government to continue to increase funding for the program without enacting meaningful reforms.

With this goal in mind, we must seek bipartisan ways to make existing housing programs work better and remain available to those in need.

Congressman Albio Sires
March 9, 2007
Opening statement for Subcommittee hearing on Section 8 reform

Thank you Madame Chairwoman for holding this hearing today. Housing is such a vital, but yet basic human need. And as we talked about during our trip to New Orleans last month, Madame Chairwoman, I am very pleased to be on this subcommittee working to make safe and affordable housing a reality for every American.

The Section 8 Voucher Program in New Jersey helps many families, but many more are in need. Due largely to the flaws in the formula for distributing Section 8 housing voucher funding, the share of vouchers in use in New Jersey has fallen over the past few years, from 96 percent in 2004 to a projected 91 percent in 2006. In other words, 3,197 vouchers have already been cut in New Jersey over the past two or so years. The Section 8 reform bill considered last term would have restored nearly all vouchers in use in New Jersey over the past few years. Overall, 99 percent of New Jersey's currently authorized vouchers would be funded under the formula in that bill. That is good news.

Sadly, though, there is bad news in other federal housing programs. Yesterday I learned that the Jersey City Public Housing Authority will lay off thirty-four employees today because of cuts in the Public Housing Program. They are losing their jobs because public housing programs are under funded and because of regulatory changes initiated by the Department of Housing and Urban Development.

I know we are here today to discuss Section 8 reforms, not Public Housing funding, but the broader network of federal housing assistance is very much on my mind. And I am hopeful that Congress will restore funding in fiscal year 2008 for Public Housing and the agencies that administer it across the country. I also hope that we can reverse restrictive federal regulations so that Public Housing Authorities have the much needed resources to serve every eligible family.

But let me focus again on today's hearing. Today we are going to hear from a distinguished panel of experts with unique perspectives on the Section 8 program. I look forward to learning from each of them. They may know best what reforms are needed to this vital program and I hope that we can use their advice to strengthen this vital program.

Thank you.

STATEMENT OF ORLANDO J. CABRERA

Assistant Secretary for Public & Indian Housing
U.S. Department of Housing and Urban Development

Hearing before the Committee on Financial Services
Subcommittee on Housing & Community Opportunity

United States House of Representatives

"The Section 8 Voucher Reform Act"

March 9, 2007

Chairwoman Waters, Ranking Member Biggert, distinguished members of the Subcommittee, my name is Orlando Cabrera and I am the Assistant Secretary for Public and Indian Housing at HUD.

The future of the Housing Choice Voucher Program is one of the most pressing issues we face here at HUD. That was true before the recent surge in the real estate market. The boom of the last few years only added to the pressure. As the cost of rent skyrocketed in many cities, so did our costs. This year, the Housing Choice Voucher program consumed nearly half of HUD's budget.

We are at a crossroads. Since the Congress already changed the way they fund the program, it has become extremely difficult to manage it as currently authorized. The current program is overregulated, inflexible, and regressive rent requirements incentivize recipients to stay in the program longer while waiting lists grow and other vital HUD initiatives suffer as a result. We must modernize the program to adapt to the new funding realities. By liberating PHAs to administer the program in a flexible manner that conforms to local needs, they will be able to assist the maximum number of families within the funding amounts provided by the Congress. The current law limits the number of families a PHA may assist based on the number of vouchers a PHA has under contract with HUD. Good stewards of federal funds are precluded from serving additional families even when they have available appropriated funds. On the other hand, poor stewards of federal funds, who overspend and put their low-income families in peril, will now be rewarded with additional funds.

HUD's FY08 legislative proposal would eliminate the unit cap to allow PHAs to serve additional families as long as the PHA can do so within its fixed budget. PHAs that are able to serve more families would qualify under the HUD proposal for additional funds as a result of their effectiveness and efficiency. HUD's proposal will also eliminate excessive unutilized reserves to ensure that the program is reaching the maximum number of low-income families it is intended to serve and reach more families on the section 8 waiting lists.

HUD's FY08 legislative proposal is also dedicated to reducing the administrative complexity and burden, while increasing local flexibility and decision-making to allow PHAs to be successful in a budget-based environment. PHAs need program simplification and local flexibility so they may concentrate their resources on housing families, not navigating a cumbersome and complex tangle of rules, requirements, and regulations.

For example, the current system for determining the tenant's rent in public housing and the voucher programs is based on a percentage of income, but only after that income is recalculated by applying a myriad of different exclusions and deductions. The complexity of which leads to numerous errors and is extremely costly to administer. True reform in HUD's view means local flexibility. We believe it is ultimately the local PHA that is in the best position to determine the rent structure that works best for their families and their community. Under HUD's proposal, PHAs will have the option of choosing among a

variety of rent structures for public housing and voucher families -, including flat rents, rents determined on broad tiers of income, or even retaining the status quo. HUD's proposal will also expand PHA flexibility through such measures as allowing PHAs that administer both the public housing and voucher programs to meet income targets by looking at new admissions across program lines.

Our proposal will further reduce administrative burden by reforming such areas as the frequency of income reviews and housing quality standards. For example, HUD will provide PHAs with much greater flexibility on the frequency of housing quality standards inspections, allowing the PHA to focus its resources on the most at-risk voucher units while ensuring that even the best-managed unit is physically re-inspected at least once every four years.

With flexibility comes accountability. HUD's proposal would establish PHA performance measures for the voucher that focus on the most critical elements of the PHA's administration that can be assessed using independently verifiable information or data. These factors will include the quality of the dwelling units in which voucher families reside, program utilization of funding, the overall financial condition and management of the public housing agency, and the timeliness and accuracy of PHA reporting.

Under current law, the primary problem with the Housing Choice Voucher Program (HCV) is the statutory and regulatory environment in which it operates. This environment does not promote effective and efficient use of appropriated funds. Instead this program has grown overly complex and promotes a costly approach to providing rental assistance by discouraging incentives necessary for sound public policy. The old funding method required HUD to advance funds, do reconciliations and settlements at the end of the year and recapture funds. By its very nature and structure, the old process generated over funding and resulted in subsequent recaptures of billions of dollars.

In FY 2004 the Appropriators recognized this problem and began the process of modernization by changing the way the program was funded. In FY 2005, funding for HCV was changed from a unit-based approach to a budget based approach. We support that effort and believe that it sets the program on the correct course in the future and represents a responsible stewardship of this federal program.

Since 2005, through the budget-based approach, PHAs are better informed about the predictability, transparency, and timing of the funds they can count on to run their programs. Since HUD is no longer subject to the vagaries of a complicated unit based appropriations process, it can now effectively communicate to the Congress its annual needs on a fixed baseline adjusted for new incremental vouchers and inflation. For the last two years, HUD has been able to clearly articulate to both the Congress and PHAs the budgetary needs of the program.

The management and operation of both the Voucher and public housing programs has devolved into a complicated web of centralized rules that are applied uniformly across

the country. Our job moving forward is to support statutory changes and create a statutory and regulatory environment that supports innovation, flexibility, and is progressive in its treatment of the families we serve. The Department hopes that this year we can reach consensus and get real HCV and Rent reforms passed.

One of the goals of the Voucher program should be to ease the burden of low-income Americans by providing them with a simple and affordable housing option. Instead, the current system makes this helping hand a burden instead and in some instances disincentivizes people from becoming self-sufficient. A simpler rent system that would create incentives for work is needed. Further, this system puts a tremendous administrative burden on PHAs. With ever tightening budgets PHAs are still expected to place administrative plans and "rules" compliance as a priority instead of focusing on providing rental assistance in a fair and humane way. Merely mention the phrase "RIM Review" (Rental Integrity Monitoring) to a public housing Executive and be prepared to be educated on the complexities and in some ways irrationality of our rent determination system.

Practitioners in this program know that the current method for calculating rent and verifying income is onerous, often inaccurate, and can result in significantly different rents for similar households. And while HUD in concert with the industry have worked hard to address this problem within the statutory constraints through notices and guidance, real reform will take legislative intervention.

We must take steps to ensure that a reformed system treats the families we serve in a humane way. Housing authorities should be permitted to simplify how they charge rent. They should be allowed to set rents based on local conditions, increased expectations, and efforts to promote self-sufficiency.

One of our industry partners, the Public Housing Authority Directors Association (PHADA) has published a rent reform booklet that graphically illustrates the problems with the current system and offers a new approach that the Department in large measure supports. I dare say that as you read the attached booklet, you will be shaking your head in agreement about the desperate need for rent reform. There is a better, more efficient, and more humane system to deliver rental assistance through the Voucher program and it should be pursued with vigor and swiftness.

The statutory and regulatory environment governing the voucher program should be simpler, more flexible, and progressive. Public Housing Authorities should have the authority to manage their Voucher programs within a budget and serve their families in a way that best reflects their local needs. Notwithstanding any of these reforms, nothing we intend to propose will change the protected status of elderly and disabled residents within either the Voucher or public housing programs.

As we work to simplify the Voucher program and pursue rent reform, we intend to transform the way we administer the Public Housing program by moving to asset management. Housing authorities own and operate billions of dollars in assets. Yet the

value of these assets is generally unavailable for securing loans, private investment, and other types of leverage. Moving our entire portfolio of more than one million units to the asset management model will create tremendous opportunities for sustainability, development of new and improved affordable housing, and links to private financing that were once unavailable.

The type of innovative financing employed by Chicago and Atlanta has the ability to transform communities all across the country. In Chicago, they have implemented a plan build or rehab 25,000 units of public housing by 2010. And it all started with a bond issue that allowed them to raise $300 million.

And it doesn't have to be a one-time effort. By refinancing its original bond issue earlier this year, the CHA will save $70 million that it will now use to rehab even more units. Roughly 150 PHAs have taken advantage of this kind of financing tool. I hope many more follow suit.

As we move our physical portfolio toward a market model, we have to take steps to ensure that a reformed system treats public housing residents in a humane way. Housing authorities should be authorized to simplify how they charge rent. They should be allowed to set rents based on local conditions, increased expectations, and efforts to promote self-sufficiency.

In order to restore public housing to its original purpose as a resource for those in temporary need rather than a lifetime entitlement for people who have the ability to move on, housing agencies in the Moving to Work Program are already experimenting with employment incentives and progressive rent structures. The hope is that these reforms will allow more families to cycle through the system.

When we look at both the voucher and the Public Housing programs together I see opportunities to further streamline the delivery of rental assistance.

One of our greatest tools is the Homeownership Voucher program. This program has taken off over the last two years, providing a smooth path for more than 8,000 low-income Americans to become homeowners. We started with 12 pilot sites and 100 new homeowners through this program in 1999. Now we have more than 450 PHAs and more than 8,000 families.

We expect more than 10,000 families to take advantage of it by the end of next year. It's taking off because of the powerful impact it has on peoples' lives. The vast majority are people with disabilities or single mothers

The President's vision of an Ownership Society is based on the fact that homeownership helps build stability and wealth through equity. That's equity that can be used to start a small business, fund a child's education, or to increase the value of the home. The point is that by increasing avenues of homeownership for low-income families, we accelerate their entrance into the middle-class.

The Housing Choice Voucher is a valuable asset to assist low-income Americans afford the rent, but we have to find a way to move people from assistance to self-sufficiency. This is a more progressive, humane, and just approach to rental assistance. Public housing and Vouchers have helped millions of low-income American families over the past several decades. Our challenge now is to ensure that we serve millions more in the decades ahead.

Effective and efficient programs get funded. With your help, I believe we can do the same for the Voucher program. As the General Accountability Office has recognized in its removal of the Department from its list of High Risk Programs, as well as the Office of the Inspector General eliminating all material weaknesses and giving HUD a clean audit opinion, the Department has shown that it can be trusted to effectively and efficiently administer a modernization to the country's largest rental assistance program.

Thank you for the opportunity to discuss these important issues.

NLHA NATIONAL LEASED HOUSING ASSOCIATION

NMHC National Multi Housing Council®

NAA National Apartment Association

TESTIMONY OF JANET S. CHARLTON

TRITON ADVISORS, INC.

ON BEHALF OF THE

NATIONAL LEASED HOUSING ASSOCIATION

NATIONAL APARTMENT ASSOCIATION

NATIONAL MULTI HOUSING COUNCIL

BEFORE THE

HOUSE COMMITTEE ON FINANCIAL SERVICES

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

MARCH 9, 2007

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Chairwoman Waters, Ranking Member Biggert and distinguished members of the Subcommittee, my name is Janet Charlton and I am the President of Triton Advisors, Inc. I am here today on behalf of three trade associations—the National Multi Housing Council (NMHC), the National Apartment Association (NAA) and the National Leased Housing Association (NLHA).

NMHC and NAA represent the nation's leading private firms participating in the apartment industry. Their combined memberships include apartment owners, developers, managers, builders and lenders. The National Multi Housing Council represents the apartment industry's largest and most prominent firms. NMHC members are the principal officers of these organizations. NAA is the largest national federation of state and local apartment associations, with 190 affiliates representing nearly 51,000 professionals who own and manage more than 6.1 million apartments. NMHC and NAA jointly operate a federal legislative program and provide a unified voice for the private apartment industry.

The National Leased Housing Association has represented the interests of housing agencies, developers, owners, lenders, housing managers and others involved in providing federally assisted rental housing for more than 30 years. NLHA's more than 500 members are primarily involved in the Section 8 housing programs—both project-based and tenant-based—and provide or administer housing for over three million households.

We commend you, Chairwoman Waters and Ranking Member Biggert, for your leadership, and we thank the Members of the Subcommittee for your valuable work addressing the nation's need for affordable rental housing. We appreciate the dedication of the Subcommittee on this issue and the opportunity to present our views on the "Section 8 Voucher Reform Act" (SEVRA) as currently drafted.

We begin by saying that we believe the Section 8 voucher program has been largely successful in achieving the goal of assuring decent, safe and affordable housing for low-income families and the elderly. While the program does not need a major overhaul, it would benefit from changes aimed at reducing administrative burdens, promoting increased landlord participation and expanding housing opportunities.

The areas in greatest need of action include the program's funding formula, its inspection standards, its rent and income standards, its portability features and its ability to be used in concert with the Low-Income Housing Tax Credit (LIHTC) program.

Funding Formula

In recent years the Section 8 program has suffered from the lack of a permanent and reliable funding formula. In 2004, the U.S. Department of Housing and Urban Development (HUD) implemented a new and flawed voucher funding formula that based program funding on local costs from May-July 2004 plus an inflation adjustment. This arbitrary and unworkable formula resulted in unanticipated shortfalls, inadequate or excess reserves and general confusion as the nation's housing agencies attempted to adapt to it, often retroactively. It has negatively impacted applicants, voucher holders, public housing agencies (PHA), apartment owners, lenders and development entities and has resulted in the loss of more than 100,000 vouchers.

We are pleased that H. J. Res. 20 (enacted on February 15, 2007) includes a revised funding formula based largely on the formula outlined in SEVRA. Specifically, H. J. Res. 20 bases program funding on the most recent 12 months of voucher leasing and cost data (adjusted for inflation). This formula is fair and flexible; it maximizes the amount of dollars provided by the appropriations process and is a major step forward and should restore program stability. We encourage its adoption as the permanent formula for FY08 and beyond.

Inspection Standards

One of the biggest problems with the Section 8 program is that it is not "transparent" to the market. In other words, it costs an apartment owner more to rent to a voucher holder than it does to rent to an unsubsidized resident. One of the reasons for this cost discrepancy is the program's burdensome and often duplicative inspection standards.

Before a Section 8 voucher holder can rent a specific apartment, the administering public housing agency (PHA) must first inspect the unit to confirm that it complies with HUD-prescribed Housing Quality Standards (HQS). Unfortunately, these unit-by-unit inspections cause intolerable leasing delays and do not necessarily satisfy

HUD's objective of protecting residents since many of these properties are already inspected under other federal programs.

Even if the PHA conducts its inspection within the required time frame, many apartment owners still report that it can take 30 days or more to be approved due to the extensive workload of most housing agencies. While this approval is pending, the apartment unit remains empty, when the owner could otherwise be collecting rent on it. The apartment industry relies on seamless turnover to meet its overhead costs, and the financial implications of such delays are enough to deter many owners from participating in the program.

NMHC/NAA and NLHA strongly support provisions that make important reforms to the property inspection process, including addressing a redundancy that exists in federal inspection requirements. Currently, units that receive Low-Income Housing Tax Credits or are FHA-insured are already inspected as a condition of participation in those programs. We encourage Congress to exclude those units that have already passed inspections for other federal programs from a duplicative and time-consuming Section 8 inspection process.

In an effort to streamline the inspection process, we would encourage HUD to allow the PHAs the discretion to lease a unit that has minor defects (i.e., non-life threatening problems) instead of forcing the apartment owner to make the repairs before the lease can be signed. We also support a change allowing PHAs to inspect properties every other year instead of annually. We do, however, recognize that there are many small apartment properties that are not professionally managed that accept Section 8 vouchers. We understand that these smaller properties might require more frequent inspections, and therefore recommend that apartment buildings with fewer than 20 units be inspected every year.

SEVRA 2007 takes steps to improve the program, but we feel that it is necessary to add in additional language further reforming the burdensome inspection process. Specifically, we believe that the changes included in H.R. 5433, the "Section 8 Voucher Reform Act of 2006," as introduced in the 109th Congress, reduced the leasing delays and repetitive inspections while ensuring that properties continue to meet HUD's Housing Quality Standards.

We have attached language that would accomplish these goals. It has been endorsed by the following groups: the Institute for Real Estate Management, the National Apartment Association, the National Affordable Housing Management Association, the National Association of Home Builders, the National Leased Housing Association and the National Multi Housing Council.

Rent and Income Provisions

We are very encouraged by the draft SEVRA provisions that would streamline the process for calculating income and rent. Such provisions will reduce the administrative burdens on PHAs and participating property owners while ensuring that residents do not pay more for rent than they are paying today. We are particularly pleased that the draft SEVRA legislation proposes a three-year (versus an annual) re-certification of income for residents with fixed incomes.

We are, however, unable to support the bill's provision to terminate assistance and evict residents receiving project-based Section 8 assistance or vouchers when their income reaches 80 percent of area median income (AMI). HUD's income limits are not always accurate and can change greatly from one year to another. For example, as SEVRA is currently written, a resident who is receiving a subsidy and reports an income of 75 percent of AMI can be evicted when HUD changes the income limits, even if the resident's income remains fixed.

We understand that the intent of this provision is to free-up units for lower-income families, but realistically such a provision would only free-up a very small number of units. Our analysis of 84,877 project-based Section 8 units in three states revealed that less than two-tenths of one percent (198) had over-income residents. While the gain in units would be nominal at best, the change would devastate the affected families, many of whom are elderly or disabled and living on fixed incomes.

Portability

Currently, vouchers are "portable" in that voucher recipients have the ability to move to another approved voucher unit anywhere in the country. Proponents of nationwide portability claim that it allows families to move to new jobs or to be with other family members in other parts of the country without losing their assistance. Opponents argue that nationwide portability results in increased administrative burdens to housing agencies and often creates funding shortfalls.

If portability is to be continued, we strongly recommend that Congress require HUD to provide a mechanism to reduce the administrative burdens posed by portability, particularly as they related to inter-agency billing.

Project-based Vouchers

NMHC/NAA and NLHA are very pleased that the draft legislation provides PHAs the flexibility to set rents in project-based voucher units located in LIHTC properties. The LIHTC program is one of the few federal programs that can be used to preserve existing affordable housing and construct new affordable housing. Therefore, it is critical that there be consistency between the LIHTC and Section 8 programs so they can be used together to further increase the nation's supply of affordable housing.

To that end, we recommend that the Subcommittee consider the following amendments to the Section 8 project-based voucher program to increase flexibility and maximize consistency with the tax credit program:

- Change the maximum initial contract term for the Section 8 project-based program from 10 years to 15 years to make it conform with the tax credit compliance period;
- Increase the percent of voucher funds that PHAs can use for project-based properties from 20 percent to 25 percent to make it possible for smaller PHAs to effectively use the project-based option;
- Amend the current provision that limits project-based vouchers in family properties to 25 percent of the units to allow the "greater of 25 percent of the units in a project OR 25 units;
- Ensure that expiring project-based "certificate" contracts can be converted to project-based vouchers. (HUD has not authorized such conversions due to a technical deficiency in the statute. A conversion amendment is critical to the preservation of the units);
- Permit site-based waiting lists (subject to PHA oversight);
- At the request of a property owner, allow a PHA to provide existing residents with project-based vouchers in lieu of enhanced vouchers when the owner opts out of a subsidy program or prepays a federally subsidized mortgage. This option would protect the residents while ensuring that the actual units are preserved as affordable.

Conclusion

The 2002 Millennial Housing Commission report identified affordability as the "single greatest housing challenge facing the nation." Unfortunately, little progress has been made on the affordability crisis in the intervening five years. According to Harvard University, 35 million households spend 30 percent or more of their annual income on housing.

Affordability problems don't discriminate; they now exist in urban, suburban, and rural counties. The Section 8 program has long served as America's primary rental subsidy program. If it is to continue meeting our nation's growing housing needs, it should be revised so more apartment owners will participate in it. It requires a stable funding source, and it must be consistent with the LIHTC programs so those resources can be leveraged to produce more housing than either program could produce individually.

We support the goals of SEVRA and are pleased to provide some additional points for consideration that will enable SEVRA to better meet the needs of America's hard working families who cannot find decent, affordable housing. We appreciate the opportunity to express our views, and we stand ready to work with the Subcommittee on the Section 8 program and other critical housing issues.

Proposed language:

H.R. 5443
Section 8 Voucher Reform Act of 2006 (Introduced in House)

SEC. 2. INSPECTION OF DWELLING UNITS.
Section 8(o)(8) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(8)) is amended--
(1) in subparagraph (A), by inserting `subparagraph (D) of this paragraph and' before `paragraph (11)';
(2) by redesignating subparagraphs (D) and (E) as subparagraphs (E) and (F), respectively;
(3) by inserting after subparagraph (C) the following new subparagraph:
`(D) EXCEPTIONS TO INITIAL INSPECTION REQUIREMENT PRIOR TO OCCUPANCY-
`(i) RECENT INSPECTION UNDER HOUSING CHOICE VOUCHER PROGRAM- In the case of any dwelling unit **[insert - in a property]** that, within the 30-day period ending upon initial occupancy by a family assisted under this subsection, was occupied by another family so assisted, an inspection pursuant to subparagraph (A) shall not be required if such unit was inspected during the 12-month period ending upon such initial occupancy and was determined to comply with the housing quality standards under subparagraph (B).
`(ii) RECENT INSPECTION UNDER OTHER PROGRAMS- In the case of any dwelling unit **[insert - located in a property]** that, during the 12-month period ending upon such initial occupancy, was inspected pursuant to requirements under a Federal, State, or local housing assistance program (including the HOME investment partnerships program under title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12721 et seq.)), an inspection pursuant to subparagraph (A) shall not be required if--
`(I) pursuant to such inspection, the dwelling unit **[insert - or property]** was determined to meet the standards or requirements regarding housing quality or safety applicable to units assisted under such program; and
`(II) the public housing agency certifies to the Secretary that such standards or requirements provide the same protection to occupants of dwelling units meeting such standards or requirements as, or greater protection than, the housing quality standards under subparagraph (B).
`(iii) CORRECTION OF NON-LIFE THREATENING CONDITIONS- In the case of any dwelling unit that is determined, pursuant to an inspection under subparagraph (A), not to meet the housing quality standards under subparagraph (B), assistance payments may be made for the unit notwithstanding subparagraph (C) if failure to meet such standards is a result only of non-life threatening conditions. A public housing agency making assistance payments pursuant to this clause for a dwelling unit shall, upon the expiration of the 30-day period beginning upon commencement of the period for which such payments are made, suspend any assistance payments for the unit if any deficiency resulting in noncompliance with the housing quality standards has not been corrected by such time, and may not resume such payments until each such deficiency has been corrected.'; and
(4) in subparagraph (E), as so redesignated by paragraph (2) of this section--
(A) by striking `ANNUAL INSPECTIONS' and inserting `BIENNIAL INSPECTIONS';
(B) by striking `shall make an annual inspection of each assisted dwelling unit during the term of the housing assistance payments

contract for the unit' and inserting `shall, for each assisted dwelling unit, make biennial inspections during the term of the housing assistance payments contract for the unit'; and

(C) by inserting after the period at the end of the first sentence the following: `In the case of a dwelling unit described in clause (i) or (ii) of subparagraph (D), the first such annual inspection shall take place during the 2-year period beginning upon the most recent inspection conducted with respect to the occupancy of the unit by the family previously residing in the unit.'.

Dedicated solely to ending America's affordable housing crisis

NATIONAL LOW INCOME HOUSING COALITION

Testimony of Sheila Crowley, MSW, Ph.D.
President of the National Low Income Housing Coalition
presented to the
Housing and Community Opportunity Subcommittee
Financial Services Committee
United States House of Representatives
March 9, 2007

Chairwoman Waters, Ranking Member Biggert, and Members of the Subcommittee, thank you for the opportunity to testify today about the proposed legislation to stabilize and strengthen the Housing Choice Voucher program.

I am Sheila Crowley, President of the National Low Income Housing Coalition; our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

Let me begin by expressing our sincere appreciation to you and the members of your staff who have done a terrific job of drafting sound legislation for this Congress that builds on the bipartisan legislation, H.R. 5443, introduced in the 109th Congress and the considerable work done over the last two years by most of us testifying today and many others to protect and improve the Housing Choice Voucher program. The thoughtful process with which you have developed this legislation has produced a very good result.

The power of the Housing Choice Voucher program is in its ability to make available rental homes affordable to the lowest income families who otherwise are forced to spend so much of their income for their homes that they must scrimp on or do without other basic needs. The Housing Voucher Program is the single most significant way that the federal government prevents homelessness among poor families. Increased affordability is one of two core goals of the voucher program. The other is increased mobility of extremely low income households, allowing them the choice to move to communities of opportunity for better jobs and better schools.

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Since the beginning of the Bush Administration, HUD has tried to change the Housing Choice Voucher program in ways that would reduce its effectiveness in meeting these core goals. Fortunately, Congress has rejected most of what HUD wanted to do. But HUD actions still precipitated a crisis in the program that left tenants, owners, PHAs, advocates, and Members of Congress on both sides of the aisle searching for ways to restore the integrity of the program.

In an attempt to bridge numerous divides and develop a consensus agenda on the future of the program, NLIHC convened a Voucher Summit in early 2005 at which 65 people representing all stakeholders, including House and Senate staffers from both parties and top HUD and OMB officials, came together to talk through our differences and develop recommendations for legislation. Much of what this summit produced is reflected in the legislation you are about to take up.

On behalf of the two million families who are able to have stable, decent housing in communities of their choosing because they have Housing Choice Vouchers, I thank you. I thank you as well on behalf of millions more low income families who are on voucher waiting lists across the country. The changes that this legislation will make will stabilize and strengthen the Housing Choice Voucher program, so we can return to adding new vouchers each year to address the vast unmet housing needs of low income people in the United States.

Housing Need

An analysis of data from the 2005 American Community Survey shows that 71% of all extremely low income renter households in the United States pay more than half of their income for their homes. The numbers are even higher in California (77%) and Illinois (72%).[1] These are households with annual incomes under $16,860 in Los Angeles and under $21,720 in DuPage County, IL. In order to afford to rent a modest one bedroom home in Los Angeles, the members of the household have to earn $38,881 a year; for a one-bedroom home in DuPage County, the annual income needed is $28,837.[2]

The nationwide shortage of rental homes for extremely low income households, which are composed of elderly and disabled people on fixed incomes or people in the low wage workforce, is acute and getting worse. In the U.S., there are 9,022,000 extremely low income renter households and only 6,746,000 homes renting at prices these households can afford, paying the standard of 30% of their income for housing.[3]

Vouchers alone cannot solve the shortage of affordable rental housing. We need to build more affordable homes as well. Vouchers coupled with new production and preservation of the affordable stock we still have are the three components of a balanced low income housing policy. An efficient and effective Housing Choice Voucher program is essential to a functional housing market in the U.S.

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[1]NLIHC tabulations of 2005 American Community Survey PUMS.
[2] Wardrip, K., Pelletiere, D., & Crowley, S. (2006). *Out of reach 2006*. Washington, DC: NLIHC.
[3] Pelletiere, D. (2007). *American Community Survey estimate shows larger national, state affordable rental housing shortages. Research Note #07-01*. Washington, DC: NLIHC.

What the Bill Would Do

Among the many positive attributes of this bill are the following:

- Correcting the funding crisis created by HUD's ill-conceived "snapshot" formula for distribution starting in 2004.
- Simplifying the process for determining the amount of rent each resident should pay, while also not penalizing tenants for increasing their earnings or negatively affecting elderly and disabled people with high health care costs.
- Streamlining the inspection process for property owners who operate well-maintained housing.
- Maintaining the Housing Choice Voucher program's income targeting to serve families with the most serious affordability problems, while adapting the income targeting to better meet the needs of poor, rural communities.
- Assuring that all units of public or assisted housing that are lost to demolition or opt-out are replaced by vouchers, not just those units happened to be occupied at the time they were closed down.
- Provisions for recapture of unused funds from public housing agencies that do not expend all that are allocated to them for use by agencies that can use them and to support the important portability and family self-sufficiency objectives of the Housing Choice Voucher program.
- Helping tenants with good rent payment histories establish themselves as good credit risks.
- Facilitating greater use of project-based vouchers to support the new production of rental housing, especially Low Income Housing Tax Credit units, affordable to extremely low income households.

Moving to Work

A major improvement to the legislation as is currently proposed as compared to H.R. 5443 from last year is the elimination of the provision that would expand the so-called "Moving to Work (MTW)" program. We strongly urge that you not include MTW language in the bill as you move forward.

Our friends in the public housing industry feel very strongly that they need the deregulation that an expanded MTW would allow in order to survive. No one who has been paying the slightest bit of attention can doubt that public housing, as an institution, has been under serious assault in the last six years. Systematic reduction of the funding streams that keep public housing going has left many PHAs depleted and unable to maintain basic services and do even routine maintenance. This is unacceptable. NLIHC stands side-by-side with our public housing partners to demand restoration of sufficient funding for them to be able to do their jobs. We see expanded MTW to other PHAs as an off-target response to the real problem of federal disinvestment in public housing.

Briefly, MTW is a "demonstration" program that grants waivers of almost all federal rules for the operation of public housing, including the voucher program, in order for a PHA to

experiment with different program models and methods. We have no quarrel with promoting innovation. We object to the complete failure of HUD to do what the legislation intended, that is, to evaluate the experiments that MTW PHAs have undertaken. In the absence of evidence of the effectiveness of MTW, why would Congress consider expanding it?

In the very least, we urge this Subcommittee to hold a hearing specifically on MTW. Hear from PHA directors and tenants, from local officials and local housing advocates. Form your own impressions of what this policy has produced.

Further, there should be no extension of the current MTW programs unless the following conditions are met.

- There must be in place at the onset new, common data compilation and evaluation mechanisms, so that each program is first subjected to the type of evaluation promised.
- Additional protections are provided for current and potential residents, including protections from unaffordable rents. Any determination of high rent burdens for MTW households would have to be followed by changes in rent policies to keep rents affordable for each household.
- No residents should be subjected to self-sufficiency provisions tied to leases and work or other threshold screening requirements tied to housing eligibility.
- Current income targeting should be maintained with no exceptions.
- Residents must also have a seat on the PHA board, be able to establish a resident advisory board and retain grievance and termination procedures.
- Those MTW PHAs that have been the subjects of HUD Inspector General MTW audits must prove their compliance with the program rules before their MTW status can be extended.
- If it is determined during the process of evaluation that a MTW PHA is imposing policies that are harmful to low income tenants or are otherwise found to be mismanaging their portfolios, its MTW status should be terminated.
- An independent accreditation agency, separate from HUD, should be created and charged with determining whether MTW programs have met their goals.

NLIHC opposes any expansion of MTW until current programs, if extended with additional resident protections, are evaluated and the lessons learned are incorporated into the expansion program.

Moreover, NLIHC opposes any troubled or near-troubled agency ever participating in MTW. If evaluation of existing, extended demonstration sites shows overall benefits to residents and federal housing resources and the program is expanded, it should done as a reward for excellent PHA stewardship.

Suggestions for Improvement to the Bill

NLIHC suggests the following as ways to improve upon the discussion draft of the bill.

1. ***End Unaffordable Rent Burdens for Some Voucher Holders***. PHAs are permitted to set payment standards for vouchers between 90 and 110% of the local Fair Market Rent.

With funding shortfalls and uncertainties in recent years, PHAs have reduced or restrained payment standards, resulting in some families having to pay more than 30% of their income for rent. Current law allows a voucher holder to choose to pay up to 40% of income at the initial lease, but provides no protections for these tenants after the first year. However, HUD is supposed to monitor these increases. Current law allows, but does not require, HUD to direct a PHA to increase its payment standards if a significant number of families, defined in current regulations as 40% of all the PHA's voucher holders, are paying more than 30% of their income for rent. HUD should be required to monitor these increases and to require PHAs to ensure that timely and relevant information concerning rent burdens is provided to stakeholders. Further:

- PHAs should be required to adjust payment standards within the "basic range" in the amount needed, in the judgment of the PHA, to bring rent burdens below the "significant" level (as defined by current regulations) within a one-year time period, to the extent that the PHA has funds available to make the change. Lacking sufficient funds, PHAs should be required to develop and implement a plan to accomplish this goal in a reasonable time frame without terminating assistance to participating families.
- HUD should be required to approve a PHA's request to increase the payment standards above 110% of FMR in such circumstances if such an increase is needed to enable the PHA to meet the statutory standard.

Consider the absurdity of families who are receiving federal housing assistance through the voucher program and are still paying more half of their income for their housing. They show up in some HUD reports on number of households served, at the same time they show up in other HUD reports of low income families with worst case housing needs, in need of housing assistance.

2. ***Permit use of vouchers in manufactured housing.*** The Quality Housing and Work Responsibility Act of 1998 (QHWRA) limited voucher payments to subsidies for the land rental costs only; HUD limited these payments to 40% of the FMRs. An amendment offered by Congressman Bernie Sanders and included in H.R. 5443 in the last Congress proposed a pilot program to deal with the limitation placed on the voucher program in rural areas where mobile homes are the only affordable housing available for many families. We suggest permitting vouchers to be used for mobile homes by using the gross housing costs as the definition of rent, and then determining the amount of the voucher payment similar to other cases. The gross housing costs would include the monthly cost of purchasing a manufactured home, required insurance, monthly utilities and rent charged on the property including monthly maintenance and management fees if any.

3. ***Enhance mobility of voucher holders.*** We strongly support efforts that improve the portability of vouchers and support simplification of the current complex billing system that reduces cost burdens for PHAs, assures tenants the ability to use their vouchers to move to communities of their choice, compensates the receiving PHA for the ported-in voucher, and leaves the sending PHA whole. Taken together these changes should

eliminate a great deal of the disincentive that has kept PHAs from supporting portability in the past.

4. ***Enhance project-based vouchers in the following ways.***
   - Improve coordination with the Low Income Housing Tax Credit program and ensure longer-term affordability by changing the maximum initial contract term from 10 years to 15 years and clarifying that PHAs and owners may commit in advance to offered extensions of the initial contract term.
   - Allow PHAs to project-base 25% of voucher funds, plus an additional 5% for units reserved for individuals and families that fall under the McKinney homelessness definition.
   - Alter the measure of income-mixing from "building" to "project," and add exceptions for small projects (with 25 units or fewer) and projects in areas where vouchers are difficult to use to the general requirement that no more than 25% of units have project-based assistance.
   - Allow project-based vouchers to be used in co-ops and elevator buildings.
   - Convert expiring project-based certificate contracts.
   - Streamline subsidy layering and environmental reviews.
   - Prohibit HUD from requiring the use of a form Housing Assistance Payment contract.
   - Permit owner-managed, site-based waiting lists, subject to PHA oversight and responsibility, and protect tenants displaced by rehabilitation.
   - Authorize project-based voucher assistance for purposes of preservation instead of enhanced voucher assistance.

We look forward to working with the Subcommittee as you develop this bill for introduction and to supporting the bill's sponsors to help the bill move through the House and Senate.

Thank you for your consideration of our comments.

Testimony of John E. Day

President, DuPage Housing Authority

and

Executive Director, Kendall Housing Authority

before the

House Financial Services Committee

Subcommittee on Housing and Community Opportunity

"The Section 8 Voucher Reform Act"

Rayburn House Office Building
Room 2128

Friday, March 9, 2007

Chairwoman Waters, Ranking Member Biggert and Members of the Committee, I would like to thank you for this opportunity to address you today. My name is John Day. I am the President of the DuPage Housing Authority (DHA) and also the Executive Director of the Kendall Housing Authority (KHA). Both of these are suburban Chicago countywide PHAs, which administer only a Housing Choice Voucher Program. Currently due to portability the DHA is administering about 2900 Vouchers while KHA is at 200. The authorized cap for the DHA is 2571 units and is 160 units for the KHA. Among various programs that we participate in are Family Self Sufficiency, Homeownership, development and preservation of affordable housing, and an employment program through a Business Incubator in our offices.

Overall, the proposed legislation has many positive items for a PHA and I support it's passage. There are three areas where I would like to comment further:

- Operations;
- The Funding Formula; and
- Portability.

OPERATIONS

- Inspection of Dwelling Units (Section 2)

Allowing rental assistance payments for up to 30 days on units that fail an initial Housing Quality Standard (HQS) inspection for non-life threatening reasons will allow a PHA greater flexibility in helping to minimize the disruption of Voucher holders' lives. Some end up having to rent two units while the repairs are being performed, and only one unit can be subsidized. In 2006, the DHA performed nearly 4,500 total inspections. 1,146 failed due to non-life threatening violations including 242 for new move-ins whose lives were disrupted. The reasonable 30-day period is also a tool that can be used to market the program to additional and different landlords.

The proposed change to allow biennial inspections will allow a PHA to better target its resources to the greater need. Since approximately 65% of initial annual inspections performed by the DHA passed HQS last year, this change would help reduce the administrative burden. The inspection staff knows who the good landlords are, and who needs extra involvement. There is also a check and balance mechanism in place with the HUD required "administrative inspections".

- Rent Reform and Income Reviews (Section 3)

The bill proposes that recertifications shall occur only if the increase or decrease is above $1,500. This can have huge consequences from the administrative perspective of the DHA. In 2006, we performed over 2,000 interim recertifications, the vast

majority for decreases in income. The paperwork and adjustments involved with these changes are substantial.

About 42% (1,231) of the households the DHA subsidizes are on a fixed income, virtually all of them being elderly or disabled. With the proposed recertification for members of this group of not less than once every three years, there would be a significant reduction in the administrative responsibilities for a PHA. The Chicago Housing Authority, as a Moving To Work PHA, is permitted to do biennial recertifications. The Director of their Voucher program recently shared that although this has been helpful the annual submissions to HUD were taxing.

Complexity of the programs' rent and income calculations mean that small differences in calculations will occur. These de minimus differences cause PHAs to spend limited resources on redeterminations. With HUD understanding that these small differences in income and rent determination are normal and not a finding during a review will help the administrative effort of both HUD and the effected PHA.

- Eligibility for Assistance based on Assets and Income (Section 4)

Just about every other year, the DHA encounters a client who owns a residence. The prohibition of owning a home would help to clarify this issue and stop the potential for abuse. In one instance with which I was involved with a incoming portable Voucher holder owned a home which she claimed to be trying to sell. In reality, the house was priced above the local market, was not located in DuPage County, and the participant was renting the house to her children at a below market rate while receiving a rental subsidy from the DHA. The bill's requirement for "good faith effort," is helpful.

- Other Issues

Although it was not covered, the DHA has come across program participants who are overhoused. By that, I mean someone who is eligible for a one bedroom Voucher, but is able to rent a two-bedroom unit within the one-bedroom payment standards. This is overhousing with the subsidy providing more than is needed. The program offers no incentive for participants to save on housing costs.

Several of the topics discussed above would provide administrative relief to PHAs. There is concern by some in the industry that the result of this would be a reduction in the Administrative Fees paid to PHAs. A reduction in duplicative or wasteful administrative action will permit the DHA to assign administrative fees to tasks that really support families in locating and staying in good quality housing. Should these changes be enacted, the DHA could see resources shifted to other areas including portability and greater landlord outreach.

FUNDING FORMULA

- Voucher Renewal Funding (Section 6)

As a result of the passage of H.J. 20 in February, the DHA lost over $950,000 in Housing Assistance Payment funds. This equates to a loss of over 100 Vouchers. Using the 12 months of 2006 as the basis for calculations, the DHA has unspent funds at the end of the year. The source for this was from approved project based units that did not come online as planned, billing and not absorbing ports from other PHAs, and an additional $1 million dollars in HAP funds HUD awarded the DHA in April. Using caution, we did not use these funds for fear that if they were spent and then recaptured, the DHA would be at risk for that amount. In October, HUD took back $800,000. As a result, year-end calculations showed that the DHA had been carrying $1 million for 6 months and another $200,000 for two months. The net result is unspent funds and 100 fewer Vouchers.

The DHA would like to be able to utilize its unspent balances. HUD has publicly said they would not try and recapture the funds, and Members of Congress have also stated that PHAs should be able to utilize these funds. However, spending these funds would put the DHA over its cap of 2,571 units. Can a PHA go above its limit or cap? It is the DHA's desire for the bill to remove the authorized unit cap on utilization of funds.

The proposed legislation would allow PHAs to do better fiscal planning. As it is now, the voucher utilization and cost numbers fluctuate each year. The bill calls for HUD to use the preceding calendar year. Has consideration been given to using a PHAs preceding fiscal year? It is difficult to get to the bill's target of 100% utilization of funds. With clients constantly going on and off the program, changing jobs, and incurring more deductions, the ability to keep up to 2% of reserves provides for flexibility and additional fiscal planning on the part of a PHA. A Housing Authority can also use funds by absorbing incoming portable vouchers from other PHAs. Last year, one of the Northeast Illinois PHAs did just that causing a cascade effect and forcing other PHAs to absorb to keep their numbers up.

PORTABILITY

DuPage County is a desirable place to live. Since 2003, Voucher holders from 28 states and Puerto Rico have moved here using their vouchers. Program participants from over 30 PHAs in Illinois have also chosen DuPage as their new home. For 2006, the DHA had 509 incoming portable voucher holders while 188 families moved from DuPage with Vouchers (98 of these are being billed and 90 of them have been absorbed by receiving PHAs). For both DuPage and Kendall, nearly one out of every 5 families on the HCV program is an incoming portable voucher from another PHA.

On Tuesday of this week, I attended a meeting of PHAs from the Northeast region of Illinois. This quarterly meeting, convened by HUD, promotes efforts at greater collaboration and encourages a dialogue among fifteen Housing Authorities. The main topic of discussion was voucher portability. The consensus was that while there has always been some portability, in the last 5 years that activity in this area has grown considerably. Two of the larger PHAs in the group (Chicago and Cook County) are now involved with a portability demonstration project in an attempt to create a more efficient process they hope can be a model for others.

While portability has brought great opportunity for families with Vouchers to improve their living situation, the DHA also has concerns I would like to pass along. The DHA uses a local preference for those living or working in DuPage County in selecting persons from our waiting list. Should someone receive a Voucher who does not have this local preference, they must live in the DHA service area for one year. After that, they are free to use their Voucher elsewhere. We have encountered persons who live in another locale (and have no local preference), get a Voucher from the DHA and rent a unit in the County. They keep a minimal amount of personal items there and claim residency, but they never really move in. During that year, they stay with friends from their old neighborhood, and at the end of the year they move back to their old neighborhood as soon as they can, becoming an outgoing portable voucher for DHA. The Office of the Inspector General of HUD has looked into this matter for us without success. Another concern is where someone may port. Several years ago the DHA had someone move to Hawaii with her Voucher. Aloha HCV.

There is a proposal that would require absorbing all incoming portable vouchers. The DHA has serious concerns with this. With the current authorized unit cap on utilization and funding available to DHA, we would not be able to house anyone from our waiting list, a great disservice to low-income residents of the county. While DuPage is considered affluent, it has a poverty rate of around 4% that equates to over 35,000 people eligible for rental subsidy from the DHA. If a PHA absorbs incoming portable vouchers and receives funding for those new voucher holders in their next years' allocation (that is, absorbed portable vouchers end up counted in the agency's last calendar year units), this problem with absorbing portable vouchers would be overcome. If not, residents of DuPage County, whom the DHA was created to serve, will be unable to access the HCV program.

CONCLUSION

In closing, I ask for the consideration of one additional item. When this legislation is approved, and I am optimistic about that, please leave the program alone for three years so PHAs can truly make it work. I am confident that you will be pleased with the results.

I would also like to extend my appreciation to Arthur Donner, Chairman of the DuPage Housing Authority Board of Commissioners, for joining me today. Thank you again for this opportunity and I would be glad to address any questions.

NCSHA

Testimony on the Section 8 Voucher Reform Act of 2007

Submitted to the

House Committee on Financial Services

Subcommittee on Housing and Community Opportunity

by Richard Godfrey, Executive Director, Rhode Island Housing,

on behalf of the National Council of State Housing Agencies

March 9, 2007

Chairwoman Waters, Ranking Member Biggert, and members of the Subcommittee, I am Richard Godfrey, Executive Director of Rhode Island Housing and immediate past president of the National Council of State Housing Agencies (NCSHA). Thank you for this opportunity to testify on voucher reform on behalf of NCSHA.

NCSHA represents the Housing Finance Agencies (HFAs) of the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. State HFAs allocate the Low Income Housing Tax Credit (Housing Credit) and issue tax-exempt private activity bonds (Bonds) to finance apartments for low-income renters and low-cost mortgages for lower-income first-time home buyers in nearly every state. They administer HOME Investment Partnerships (HOME) funding in 42 states to provide both homeownership and rental housing opportunities for low-income families.

State HFAs administer the Section 8 Housing Choice Voucher program in 21 states. Some HFAs administer vouchers statewide. Others operate the program in rural areas of their states in which there are no local public housing authorities (PHA) to administer it.

All HFAs recognize the crucial role vouchers play in housing our most needy families. In addition to providing a housing safety net for some of our lowest income families, vouchers make it possible for Housing Credit, Bond, and HOME properties to house lower income families than they otherwise could. The financial viability of some Housing Credit, Bond, and HOME developments depends on vouchers.

At Rhode Island Housing, we administer 1,500 vouchers. These vouchers play a key role in enabling us to address critical affordable housing needs throughout the state. The program has been a great help to many low-income families in Rhode Island and throughout the country, but we believe it can be made even better.

NCSHA Supports Voucher Reform

NCSHA supports strengthening the voucher program. Three years ago, I established within NCSHA a Voucher Reform Focus Group of HFA executive directors and staff to consider the need for voucher reform; analyze Administration, congressional, and industry proposals; and provide input to NCSHA's board of directors and staff on voucher reform policy. The Focus Group's work informs our testimony today.

NCSHA recommends Congress provide and HUD fairly distribute funding adequate to renew all authorized vouchers, provide new vouchers, and support their administration. NCSHA also suggests streamlining voucher program rules and providing PHAs increased administrative flexibility. In summary, we propose:

- Increasing voucher program funding;
- Improving the voucher funding allocation formula;
- Simplifying and providing PHAs greater flexibility in their administration of income determination, rent calculation, and other program rules;
- Making project-based vouchers a more useful rental production and preservation tool;
- Creating a state-administered project-based rental assistance demonstration; and
- Authorizing HUD to admit more PHAs into the Moving to Work program with appropriate income targeting safeguards and improved monitoring.

The discussion draft the Subcommittee sent NCSHA recently addresses many of these issues. Our testimony comments on the discussion draft proposals and offers additional proposals we recommend the Subcommittee include in the voucher reform legislation it finally advances.

Fully Fund All Authorized Vouchers and Authorize New Incremental Units

NCSHA calls on Congress to fully fund all authorized vouchers. In addition, we urge Congress to provide for new incremental vouchers so we can help some of the millions of families who qualify for voucher assistance, but do not receive it.

According to the Joint Center for Housing Studies of Harvard University, more than 7 million low-income renters pay more than 50 percent of their income for housing. Three-quarters of all families eligible for housing assistance do not receive any. Yet, Congress has not funded any new incremental vouchers since 2002.

In fact, Congress has not provided enough funding in recent years even to renew those vouchers already assisting families. To make matters worse, HUD has distributed the voucher funding Congress has provided to PHAs under a formula based on limited and outdated utilization data from 2004. Under this so called "three-month snapshot" formula, some PHAs have received too little funding to renew all vouchers in use, and others have received more than they are authorized to use.

According to the Center on Budget and Policy Priorities, this funding shortage and misallocation has caused the number of families served since February 2004 to drop significantly. Over this period, HUD has provided vouchers to 150,000 fewer families than it would have if all authorized vouchers had been fully funded.

Make Permanent a Fair Funding Allocation Formula

NCSHA urges Congress to make permanent the voucher funding allocation formula provisions it established in the FY 2007 joint funding resolution. The resolution directs HUD to base PHA voucher funding allocations on the most recent verifiable and complete 12-month voucher leasing and cost data available. It also requires HUD to count vouchers held by PHAs in reserve for project-based commitments as utilized when determining funding allocations.

NCSHA also supports the additional formula improvements included in the discussion draft. These include allowing PHAs to protect up to one month's worth of funding in their program reserves, directing HUD to reallocate voucher funding beyond the one-month reserve to high voucher utilization PHAs, and permitting PHAs to access up to 2 percent of their expected annual voucher funding allocation as an advance to achieve full voucher utilization.

Simplify Program Rules and Increase Flexibility

NCSHA supports the discussion draft's income and rent calculation simplification provisions, as the current mechanism for making these determinations is extraordinarily complicated and imposes significant burdens on PHAs and tenants. We also endorse the discussion draft's property inspection provisions.

While these provisions are an important first step, NCSHA supports even greater administrative flexibility for PHAs. We believe PHAs should be empowered to design rent and income policies appropriate to their communities' housing needs and priorities, while maintaining income-based rents and ensuring tenants pay no more than 30 percent of their income for rent. PHAs should be permitted to establish clear, understandable policies that make sense to tenants and do not require excessive documentation, yet protect against fraud and abuse.

NCSHA supports the reduction in frequency of PHA property inspections from every year to every two years. However, we suggest the Subcommittee allow PHAs the discretion to inspect some properties more frequently if they determine more inspections are necessary to ensure the properties are properly maintained.

We also support permitting PHAs to accept inspections completed for other federal programs, such as HOME and the Housing Credit, in lieu of a voucher program inspection. This would reduce PHAs' administrative burden and inspector visits to properties, while meeting the intent of the inspection requirement.

Promote Portability With Adequate Funding

NCSHA recommends the Subcommittee authorize a central portability fund and require HUD to use these funds to cover the increased costs PHAs sometimes confront when voucher holders move from their jurisdictions to higher-cost jurisdictions. One of the voucher program's major advantages is tenant mobility. Voucher holders should not be discouraged from moving to areas that offer better jobs, higher quality schools, and lower crime rates.

The discussion draft directs the Secretary to prioritize these portability-related costs when allocating voucher funding to PHAs. We are concerned, however, that merely directing the Secretary to prioritize these costs will not result in the necessary payments to PHAs to support tenant moves.

Provide for Fair Allocation of Adequate Administrative Fees

We urge you to provide funding sufficient for PHAs to administer the voucher program and to direct HUD to fairly allocate it among PHAs. NCSHA supports making permanent the FY 2007 joint funding resolution requirement that HUD base PHA administrative fees on the number of vouchers in use. The previous system, established in the FY 2004 HUD Appropriations Act, allocated administrative fees on the basis of outdated utilization data, shortchanging many PHAs.

Improve the Project-Based Voucher Program

NCSHA encourages the Subcommittee to include in its voucher reform legislation improvements to the project-based voucher program put forward by a coalition of housing groups, which includes us. These recommendations include: changing the maximum initial project-based voucher contract term from 10 to 15 years to ensure longer-term affordability and improve coordination with the Housing Credit; allowing PHAs to project base 25 percent of voucher funds, with an additional five percent for permanent supportive housing for the homeless; allowing the greater of 25 or 25 percent of all apartments within a development to receive project-based vouchers; and converting expiring project-based certificate contracts to project-based voucher contracts to preserve at-risk affordable apartments.

While supportive of the coalition's recommendations, NCSHA urges the Subcommittee to consider increasing PHA flexibility further by removing the caps on the percentage of vouchers a PHA can project-base and the percentage of a development's apartments that can receive project-based vouchers. This additional flexibility will support PHA efforts to build new apartments, preserve at-risk housing, and replace converted or demolished buildings, especially in tight housing markets.

NCSHA also supports allowing PHAs to set project-based voucher rents at the voucher payment standard in Housing Credit apartments, even when the payment standard exceeds the Credit rent, to make Credit development feasible in areas where it otherwise would not be. It is also critical to permit PHAs to maintain the initial voucher payment standard for project-based

voucher units when the payment standard drops, to ensure rental income adequate to support the properties.

In Rhode Island, project-based vouchers are playing a critical role in helping us revitalize a densely built and deteriorating public housing development in Newport, without losing affordable units. Tonomy Hill was once an unattractive, barracks-style development of almost 500 units. Today, the community, re-christened Newport Heights, is a mixed-income development of attractive, energy-efficient apartments served by a new child care center and nearby community college.

This transformation, which will eventually include 325 apartments and 100 homes, 313 of which will be affordable, was made possible with a HOPE VI grant and a Rhode Island Housing investment of over $35 million in Housing Credits, targeted loans, and other resources. In addition, we worked with the Newport Housing Authority to commit 185 project-based vouchers to create affordable apartments in and around Newport to replace those lost at Newport Heights. Together these resources have allowed us to improve the lives of the residents of Tonomy Hill and revitalize the neighborhood without losing affordable units which are so critically needed in Rhode Island today.

Authorize State-Administered Project-Based Rental Assistance

NCSHA urges the Subcommittee to allocate new project-based rental assistance to state HFAs to combine with state-administered Housing Credit, Housing Bond, HOME, and other production resources. Allowing state HFAs more direct access to project-based assistance would enable them to extend the reach of these programs to more very low-income households.

States consistently target their Housing Credit, Bond, and HOME resources to households with incomes below the programs' statutory income limits. Yet, it is difficult—and sometimes impossible—to reach these households at a rent level they can afford without rental subsidies.

Project-based assistance would be cost-effective because it would draw on existing resources to fund much or all of the upfront capital costs of production. States would be able to contain the ongoing cost of new rental assistance because of their control over the amount of capital subsidy properties receive. States would ensure properties receive just enough capital and operating assistance to make developments financially viable.

Allocating such assistance to state HFAs would simplify the affordable housing development process because they would be a "one-stop-shop" for both operating and capital subsidies. Developers would not need to first secure project-based assistance from a PHA and then secure Housing Credit, HOME, or Bond financing from the state agency.

Expand the Moving to Work Demonstration

NCSHA urges the Subcommittee to allow more PHAs to participate in the Moving to Work (MTW) demonstration program. MTW allows PHAs to modify the voucher program's rent-setting, income calculation, and income targeting rules to promote work and self-sufficiency.

If the Subcommittee expands MTW, we recommend it also include appropriate income targeting safeguards to ensure scarce resources are prioritized for those with the greatest needs. NCSHA also supports improved HUD oversight, monitoring, and reporting of MTW agencies, while not compromising the program's intent to provide maximum flexibility to participants.

Thank you for the opportunity to testify. We appreciate your support of federal housing programs and look forward to working with you on voucher reform.

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Testimony of P. Curtis Hiebert

Vice President for Legislation

The Public Housing Authorities Directors Association

before the

House Financial Services Committee

Subcommittee on Housing and Community Opportunity

"The Section 8 Voucher Reform Act"

Rayburn House Office Building
Room 2128

Friday, March 9, 2007

Chairperson Waters, Ranking Member Biggert and committee members, I am Curt Hiebert, Executive Director of the Keene Housing Authority in Keene, New Hampshire and the Vice President for Legislation of the Public Housing Authority Directors Association (PHADA) and am honored to testify before you today on PHADA's behalf.

Our association was founded in 1979 and represents over 1,800 housing Authority chief administrative officers. A significant proportion of PHADA members administer small or medium sized agencies and a mixture of assisted housing programs. Some operate public housing, some Housing Choice Vouchers, many operate both programs, and a number of members operate assisted housing financed with HOME, CDBG, LIHTC, Department of Agriculture or other non-federal support.

We are grateful that the assisted housing reform initiative started during the last congress remains a matter in which you are interested and are willing to invest the Committees' resources to address. The draft bill language that PHADA has reviewed reflects substantial improvements over the bill reported by the Committee in the 109th Congress (H.R. 5443 RH) both as to its policy recommendations and its potential costs. In general, PHADA supports the draft language and looks forward to collaborating on further refinements, clarifications and improvements.

Many of the provisions contained in the draft are very attractive to PHADA and to its members, reducing administrative requirements for program sponsors. Although we understand that many of the modifications to last year's H.R. 5443 language in this draft are intended to render the proposal revenue neutral, PHADA believes that the bill retains provisions that may have significant cost implications for HAs and other program sponsors that differ among assisted housing programs. Of particular concern to us are provisions that tend to diminish potential rent revenue in public housing when Congress faces difficulties meeting its current financial commitments. The public housing program lacks cost reducing mechanisms available in various Section 8 program components (e.g. temporarily removing units from the assisted inventory, lowering voucher utilization rates to accommodate funding reductions) and much of the cost savings projected by the Congressional Budget Office (CBO) result from changes in income targeting that will not affect public housing.

Although the bill proposes reforms for the assisted housing rent and income calculation protocols, the bill may not make a very complicated system much simpler. We would prefer an income and rent calculation protocol dramatically less complicated than the existing system.

The proposed bill does not yet include provisions concerning the Moving to Work (MTW) demonstration program, as H.R. 5443 did. There are several alternative treatments of MTW under consideration at the moment, and PHADA has endorsed the Moving to Work Charter Program Act proposed in the Senate during the last Congress by Senator John Sununu (R, NH). We hope the committee will consider this alternative as it prepares MTW provisions for a revised SEVRA bill. We urge the committee to include provisions that:

- Make the MTW demonstration permanent,
- Expand the MTW program,

- Assure a robust evaluation process focused on the effects of local flexibility on program participants and applicants,
- Offer reasonable protections for applicants, tenants and participants, and
- Continue existing MTW agencies' ongoing participation by right.

Finally, the bill includes a voucher funding allocation protocol that restores a unit based system critical to the program's stability, offers mechanisms that should permit sponsors to rebuild the voucher utilization that has been lost since 2003, and provides ways for program sponsors to accommodate local market variability while encouraging cost constraints and maintaining voucher utilization rates.

Following are more detailed comments arranged by section in the draft language.

Section 2. Inspection of Dwelling Units

PHADA supports proposed provisions concerning voucher inspections. The bill provides HAs with the discretion to begin short term housing assistance while owners complete HQS corrections, and to target HQS inspections on housing and owners most prone to HQS difficulties. The first form of discretion can help avoid situations that may unreasonably disrupt participants' lives and give owners the flexibility to address housing quality deficiencies more deliberately. The second form of discretion will allow HAs to reduce administrative overhead and target inspection resources where HAs believe deficiencies are more likely. In addition, defining other federal, state or local housing assistance program housing quality inspections as meeting the Section 8 inspection requirement will avoid duplicative and wasteful inspections and help reduce the program's administrative burden.

Section 3. Rent Reform and Income Reviews

PHADA supports a number of proposed provisions that offer HAs opportunities to reduce administrative overhead and deliver housing assistance more efficiently and effectively. On balance, we believe that the provisions concerning reviews of income are helpful despite our misgivings with new statutory standards for interim recertifications that have been subject to local discretion. However, we remain concerned with income and rent provisions that will constrain HAs' rent revenues at a time when Public Housing prorations are at 83 percent; in 2007 and may drop to 80 percent in 2008.

Public Housing Costs

Using the Congressional Budget Office (CBO) cost estimate for H.R. 5443 as its starting point, PHADA has estimated some costs of rent provisions for public housing as follows:

Earned Income Disregard	$110 million
Definition of Income	$4 million
Elderly Deduction	$50 million
Dependent Deduction	$5 million
Medical Deduction	($60 million)

Child Care Deduction	($50 million)
Using Historical Income Information	$147 million
Minors' Earned Income, Spousal and Child Support	$unestimated
TOTAL	$206 million

Many of these changes (e.g. the Earned Income Disregard, the Medical Deduction, and the Child Care Deduction) represent significant simplifications in the rent system that agencies should find very helpful. However, in the current budget environment, a reduction in public housing rent revenue on the order of $200 million will not be made whole through annual appropriations. The public housing program is already under serious fiscal stress and PHADA remains concerned with the funding impacts of these proposals.

Proposals that reduce rental income in Public Housing may also produce unintended reductions in the new Operating Fund formula that will hold rents constant as of 2004 in calculating Operating Fund eligibility until 2010. If the draft bill reduces rent revenue during transition years, the new formula may under fund HAs vis a vis costs predicted by the Harvard Cost Study. PHADA urges that the bill include language directing HUD to correct for declines in rent revenue that result from changes to statutory language during the asset management transition.

Reviews of income

Although PHADA is concerned generally with setting a $1,500 threshold for interim recertifications in statute, the proposed language does clarify the Congress's expectations and provides HAs with a clear safe harbor for interim recertification policies. Until now, HAs had broad discretion over their treatment of interim recertifications in their locally developed Admission and Continued Occupancy Policies (ACOPs). Agencies will still retain discretion to conduct interim recertifications at income change thresholds lower than $1,500.

A triennial recertification requirement for households that receive fixed incomes will affect approximately half of assisted housing recipients and represents a significant reduction in HAs' administrative responsibilities that PHADA supports. Self certification of income adjusted for inflation during intermediate years, coupled with HUD's web based Enterprise Income Verification (EIV) system should provide sufficient safeguards against improper payment of housing subsidy to self certifying households.

Permitting HAs to use historical income information in redetermining income and rent should be very helpful to HAs and PHADA supports this approach. Current requirements to anticipate annual income is often a very difficult and uncertain exercise with assisted housing's clientele that has contributed to the impropriety of some payments of housing assistance.

PHADA strongly supports a simplified version of an earned income exclusion and supports application of the provision to all assisted housing participants rather than just Public Housing tenants. Although the provision should encourage some assisted housing participants to gain earned income without dramatic increases in their housing costs, PHADA believes that alternative approaches could increase incentives for more households to <u>increase</u> earnings. If Congress adopts proposed changes to the federal minimum wage, full time annual earnings from

minimum wage jobs will rise from slightly more than $10,000 to slightly more than $15,000. Minimum wage earners would benefit from an exclusion of $1,000 from their income, but experience a net rent increase of approximately 40 percent as a result of a net increase in earnings of $4,000.

Alternative approaches to an earned income deductions that may risk less lost rent revenue and offer participants greater incentive to increase earned income include offering a disregard of some substantial proportion of annual marginal earned income or offering participants a disregard of some proportion of annual earned income in excess of $10,000. Although the second alternative is not progressive in its impact, it is simple and straightforward for participants to understand and HAs to administer, and both alternatives offer significant incentives to increase earnings. PHADA is very interested in remaining engaged in discussions concerning the optimal feasible alternative for offering a rent incentive in assisted housing that encourages rising earned incomes, doesn't risk substantial losses of potential rent revenue, particularly in Public Housing, and represents a simplification of the rent calculation system.

Defining income determinations for other means tested federal assistance programs as a safe harbor for assisted housing programs may offer sponsors significant opportunities to reduce administrative overhead and eliminate duplicative, wasteful redeterminations. However, agencies must make arrangements with sponsors or administrators of other programs to gain access to that information, and the impact of this provision will likely depend heavily on other state and federal requirements (e.g. privacy and confidentiality laws and rules).

Finally, instructing HUD that de minimus errors in income and rent determination do not represent a failure to comply with federal requirements will prove helpful to HAs. The provision may preclude some egregious findings that have been reported in HUD oversight reviews in the last few years.

Definition of Income

The new definition excludes any income of household members under 18 years of age except for the head of household, including unearned income of minors and spouses. The change adds additional categories of income that HAs must exclude in their determinations and redeterminations, further reducing rent revenue and increasing the opportunities for errors that may result in improper housing assistance payments.

The provision will exclude imputed income from assets, reducing annual income and rent revenue. However, in PHADA members' experience including this imputed income rarely produces significant amounts of rent and is a frequent source error. The costs of determining such imputed income far exceed its benefits and PHADA strongly supports this change...

Adjusted Income

PHADA does not object to increases in deductible amounts for dependents ($20 per year) and for elderly and disabled households ($325 per year), except as they impact rents, particularly in the

Public Housing program. The provision for inflating these deductions annually will grow this impact over time.

The proposed change in the medical expense deduction will both reduce the amount of that deduction available to elderly and disabled households and will reduce the administrative burden the deduction imposes on program sponsors. PHADA supports the provision.

The provision proposes to eliminate deductions for child care expenses, child support and spousal support payments, simplifications that PHADA supports. These provisions do not risk reducing potential Public Housing rent revenue.

Section 4. Eligibility for Assistance based on Assets and Income

In general, PHADA is gratified that the draft language changes eligibility language in H.R. 5443 that would have had serious adverse consequences for public housing. Provisions that required evicting the very few over income Public Housing residents seemed counter intuitive given recent emphasis on developing mixed income communities and the desire to maintain effective and successful role models in Public Housing apartment complexes. We remain convinced that over income households do not generally remain in assisted housing for long, and that they represent a human resource asset that only lightly burdens the properties while they do remain.

PHADA questions the wisdom of requiring the eviction of over income residents from Section 8 project based apartment complexes for many of the reasons we object to their eviction from Public Housing. We fear that the draft bill may be subject to some criticism with this differential treatment between these two assisted housing programs.

We understand concern over the potential for cash poor but asset rich applicants obtaining or participants retaining rare assisted housing resources. However, we remain convinced that requirements to assess the net values of liquid and non-liquid assets for eligibility purposes consume administrative resources that might be put to better use.

Section 5. Targeting Vouchers to Low Income Working Families

In general, PHADA supports efforts to make assisted housing available to poor working households. However, in addition to cost concerns described above, this provision will begin to institute a layered targeting approach with different standards for different programs that vary geographically, possibly within some metropolitan areas. Families may fall within targeted populations for one program and not for another, or fall within a targeted populations in one locality but not in a neighboring locality. For the sake of simplicity and transparency, PHADA believes it best to retain uniform targeting income standards among assisted housing programs.

Section 6. Voucher Renewal Funding

PHADA supports proposed changes to the Housing Choice Voucher program's funding allocation system. The following remarks suggest matters that deserve clarification or that may be improved through modest changes.

The proposal bases funding on the, "preceding calendar year." That period may either be a year for which HUD has accurate information but is approximately 18 months old, or the period may be the more recent year for which HUD may not have accurate unit and cost information, delaying timely notices of funding levels. PHADA suggests consideration of a non-calendar 12 month period for which we can expect HUD to have accurate utilization and cost information and also provide the department with the time to notify sponsors of an accurate funding level in a timely manner.

The provision requiring that all reserves be exhausted before a sponsor can access the funding advance presents difficulties. If an agency depletes all reserves and borrows against its next year's allocation, and that allocation is prorated due to insufficient appropriations, the sponsors risk having to terminate existing voucher participants currently receiving assistance due to insufficient funds. PHADA suggests that sponsors' reserve levels not be a factor in receiving a funding advance.

The provision requiring recapture of unused funding in 2007 appears to apply to funds unused as of December 31, 2007. This provision will be clearer if the effective date is explicit in the bill. On reallocation of recaptured funds, the current draft provision provides for priority based on funding utilization. PHADA suggests that the bill include a specific benchmark for sponsors to reach in order to receive reallocated funds. We believe that utilization of 97 percent of allocated funds is a sound benchmark to use for reallocating recaptured funds.

We do not understand the purpose of restricting the use of reallocated funds to increasing voucher utilization rates up to a sponsor's authorized level. Permitting sponsors to exceed their authorized leasing level will not cost the federal government any additional funds and will provide agencies flexibility to serve as many households as they are able, given their funding and their local market conditions. PHADA suggests that this restriction on the use of reallocated funds be removed. Congress could still provide priority for receipt of reallocated funds to sponsors that had not reached their authorized leasing level.

Currently, changes to the Section 8 funding allocation system will be effective upon enactment. The allocation of 2007 appropriations will already be made based on a "most recent 12 month" formula, and PHADA believes that mid year changes to those allocations will be very disruptive. We urge that the effective date of the formula be January 1, 2008.

Section 7. Administrative Fees

PHADA supports the distribution of administrative fees based upon voucher utilization, but the draft provision provides no information on the basis for initially setting administrative fees. PHADA supports the continuing use of the formula in Section 8(q) of QHWRA. If fees are updated, they must take benefit as well as wage inflation information into account as the inflation of benefit costs has been higher than wage inflation.

Section 8. Section 8 Homeownership Downpayment Program.

PHADA supports the flexibility this provision offers program sponsors to encourage homeownership among appropriate voucher participants.

Section 9. Reporting of Rent Payments to Credit Reporting Agencies

PHADA supports authorizing sponsors to report rent payments to credit reporting agencies at their discretion, parallel to the common practice in the Public Housing program.

Authorities often report Public Housing residents' rent payment histories to credit reporting agencies to help those residents build an acceptable credit history. The draft provision will authorize authorities to report voucher holders' rent payments to private landlords to the same end. Currently the agencies have no grounds to report those payments since they do not receive the payments, and many small landlords do not report these payments or do not participate in credit reporting agencies.

Section 10. Performance Assessment

The new draft requirements for an apparently additional performance system surprised PHADA. If the proposal is a replacement for SEMAP, since it is less complex the proposal appears to be an improvement. However, we urge that HUD be required to consult with stakeholders in changing the existing assessment system. We also urge that sponsors' financial conditions not be an element of this assessment. For housing authorities, financial condition is already assessed under PHAS, and the nexus between financial condition and Section 8 administrative capacity is not immediately apparent. Sponsors that are also engaged in development activities may appear unjustifiably to be at some financial risk, and housing authorities operating under the burden of an 80 percent to 83 percent proration may appear to be in some difficulty.

Section 11. PHA Project-Based Assistance

PHADA supports this provision's return to the practices in use prior to HUD's recent restrictions on project-based rents when Section 8 was used in combination with Low Income Housing Tax Credits. The provision should facilitate developments that were rendered infeasible by HUD's recent policy change.

Other Matters:

In addition to concerns related to specific sections of the draft bill, PHADA also has questions regarding possible draft language on portability and the status of any cap on authorized vouchers.

Draft language on portability requires a receiving agency to absorb an incoming portable voucher. This may or may not present receiving agencies with difficulties depending on whether the draft bill retains or rejects an agency's authorized number of vouchers as a firm cap on utilization. We have not found any restriction in the bill to an agency serving families in excess of its authorized number of vouchers, and we understand that the agency may be funded for such vouchers in the following year. Reallocated recaptured funds may be used to support absorbed incoming portable vouchers without restriction. However, the draft provision concerning

portability indicates that an agency may absorb incoming portable vouchers in excess of its authorized number of units and receive funds to support those incoming vouchers in the following year, "...if otherwise permitted to do so..."

PHADA does not understand the purpose of this phrase if sponsors must absorb incoming portable vouchers, including portable vouchers in excess of their authorized number of vouchers and receive subsequent year funding for those vouchers. The phrase makes sense to PHADA if agencies will not receive funding for absorbed incoming portable vouchers that exceed the agencies' authorized vouchers. In the latter case, agencies will only be able to absorb portable vouchers upon turnover of a voucher already in use, a practice that could severely limit admissions from a local waiting list where an agency experiences significant in-migration of voucher holders. It appears that the proposed portability language in conjunction with other draft bill language will apply an authorized voucher cap in connection with some sources of funds (e.g. reallocated recaptured funds) but not others (regular annual allocations), and in connection with some kinds of vouchers (standard Housing Choice Vouchers) but not others (incoming portable vouchers).

For the purpose of clarity and simplicity, PHADA urges that there be no cap on the number of vouchers a sponsor can support.

NAHRO
building communities together

Written Testimony

of

Saul N. Ramirez, Jr., Executive Director

National Association of Housing and Redevelopment Officials (NAHRO)

regarding the discussion draft of

The Section 8 Voucher Reform Act of 2007

before

The Committee on Financial Services

Subcommittee on Housing and Community Opportunity

March 9, 2007

Introduction

As the Subcommittee on Housing and Community Opportunity undertakes improvements to the Section 8 Housing Choice Voucher program, and certain related matters, the National Association of Housing and Redevelopment Officials (NAHRO) is pleased to submit this statement on the January 24, 2007 discussion draft of the "Section 8 Voucher reform Act of 2007" (SEVRA) for the record.

Formed in 1933, with more than 22,000 agency and individual members, NAHRO is the nation's oldest and largest nonprofit organization representing agencies and local officials engaged in the production and operation of affordable housing programs and in community development. NAHRO advocates for the provision of adequate and affordable housing and strong, viable communities for all Americans - particularly those with low and moderate incomes.

In that NAHRO's members are the primary delivery mechanism for Housing Choice Voucher program rental assistance to low-income families, NAHRO has a special and long-standing interest in the successful functioning of this program.

I wish to express my gratitude for this opportunity to offer testimony on behalf of NAHRO members regarding what we feel are, on the whole, pragmatic and sound legislative proposals embodied in SEVRA. We believe that this legislation will help stabilize and make constructive operational improvements to the program. This draft of SEVRA represents a welcome and important step forward, in an effort to streamline the Section 8 Housing Choice Voucher program and, to a limited extent, the public housing program. We are especially pleased with the recognition shown in this legislation that block-granting Section 8 voucher assistance is not a sound or desirable national policy. In our view, this discussion draft represents a clear improvement upon H.R. 5543, introduced in the 109th Congress.

We also appreciate the Committee's continuing openness to constructive suggestions by affected parties. NAHRO has worked productively with the House Financial Services Committee's Housing and Community Opportunity Subcommittee staff on a bi-partisan basis to encourage responsible measures that would streamline and render more efficient the delivery of Section 8 voucher rental assistance to low-income families, and we look forward to continuing this effort.

Comments on SEVRA Discussion Draft

No piece of draft legislation can ever be perfect, at least not in the eyes of all beholders, and SEVRA is not an exception. While NAHRO is offering a number of suggestions that we see as improvements to the discussion draft of SEVRA, there is much about the bill that is positive as written. The following comments address subject areas affected by the discussion draft in order of perceived importance:

Allocation of Renewal Funding among Housing Agencies

NAHRO has advocated enactment of a sound funding policy in authorizing legislation. Establishing funding policy in annual appropriations legislation has created instability and a lack

of predictability that has not benefited voucher-assisted low-income households. The importance this has been demonstrated, tragically, by a large decline in the number of families assisted under the so-called "snapshot" budget-based funding formula for distributing voucher assistance that has been in effect for the last three years. This approach to distributing funding has resulted in the overfunding of some agencies and underfunding of others. In other words, the distributional formula has *caused* an inefficient utilization of overall voucher program funding provided by Congress. NAHRO's research shows that 79 percent of the nation's housing agencies have had to serve fewer families over the last three years. Over the last three years, newspapers around the country documented not only widespread terminations of assistance to voucher-assisted households – which by our estimates approximate 150,000 families - but also actions by local agencies to rescind vouchers issued to eligible households (who had in some cases been on waiting lists for years), frozen rent increases to participating property owners, voucher support of reduced unit sizes for families, and higher housing cost burdens for voucher-assisted households, particularly with the growth of utility costs. Other effects of these funding policies have included deeper concentrations of poverty, worsening housing quality conditions, and more limited portability opportunities for low-income households.

The FY 2007 continuing resolution (P.L. 110-5) features a base distribution formula which is patterned in large measure to the voucher formula Congress enacted in FY 2003, as well as the formula included in SEVRA approved by the Committee last year. We believe that the provisions in this discussion draft of SEVRA, relating to the funding formula, make further improvements to the FY 2007 continuing resolution, and we strongly support them.

Retention and Use of Unobligated Balances

NAHRO supports SEVRA's provisions relating to the recapture and reallocation of unused funds. NAHRO has long advocated the policy these provisions represent. In order to adjust for the change in funding formula SEVRA also contains provisions that create a transitional mechanism to allow public housing agencies, for a period of time and subject to certain limits, to retain and use their unobligated fund balances. We also support the provisions of SEVRA that accomplish this goal.

NAHRO additionally believes that a need exists for PHAs to be able to retain and use a portion of their CY 2008 funds as well as each year during the five-year period in which SEVRA will be in effect .

A suggestion we do have is the addition of language that would enable the HUD Secretary to make exceptions to the recapture of an agency's funds based on extenuating circumstances that are beyond the agency's control, such as a natural disaster.

NAHRO additionally recommends including in the reallocation provisions language that would codify historical practice regarding new voucher awards by taking into account housing needs. It is important that vouchers be directed over time to areas where they are most needed. Historically, incremental vouchers have been awarded to PHAs and their communities based on a combination of their relative needs for low-income housing assistance, as well as their high voucher lease-up and/or budget utilization rates. HUD's application and award process has used

existing statistics on the relative percentage of extremely low-income and very low-income unassisted households paying more than 50 percent of their income towards housing costs and/or living in substandard housing conditions. Adding a provision to this effect would ensure that this process, where need is taken into account, is followed with respect to reallocations.

Restoration of a Version of "Maximized Leasing"

NAHRO supports the provision in SEVRA that will reinstate a version of the "maximized leasing" policy that was standard practice in the voucher program until eliminated in FY 2003. Simply stated, the provision will enable agencies to serve additional families above their authorized level for a year with additional available funds, while still maintaining the voucher program's overall connection to authorized units.

Administrative Fees

NAHRO supports the SEVRA provision that will enable agencies to receive fees based on issued vouchers, as well as the provision that will restore the a formula under which administrative fees will be based on the number of authorized units each PHA has under lease throughout the year. Following the elimination of funding provided for preliminary administrative fees which agencies previously used to meet the costs associated with initial admissions and occupancy functions, agencies spent more than 70 percent of their annual administrative fee amounts on initial admissions and occupancy functions, leaving only 30 percent of the remaining fees to pay for everything else in the first year. NAHRO is pleased to see in SEVRA the restoration of special fees PHAs earned under the program in prior years, such as "hard-to-house," lead-based paint assessment and clearance, and audit reimbursement.

Much like the over-funding and under-funding of Housing Assistance Payments (HAP) created under the "snapshot" budget-based funding formulas for HAP, funding of administrative fees has been in effect block-granted over the last three years subject only to the application of Annual Adjustment Factors (AAF). As with HAP, administrative fees became increasingly out of synch with operational need. To provide a solid financial basis to restore leasing and services to low-income families, we recommend retaining the authorizing statute (which the present draft of SEVRA would remove). This language bases fees on the two-bedroom Fair Market Rent. We do suggest that this language be updated to move the FMR date upon which fees are based from 1993/1994 to 2008, and by applying subsequent annual inflation factors, such as HUD's Operating Cost Adjustment Factors (OCAFs), for each successive year.

Over the last two years, HUD has consolidated the AAFs for the vast majority of PHAs around the country, from eight regions to four regions and in doing so, provided adjustments that are less applicable to each PHA's housing market inflationary costs and even less relevant to communities salary and benefits, better captured by HUD's OCAFs. We suggest that the language of SEVRA call for cost adjustment factors that are applicable geographically to each PHA.

NAHRO believes that it is very important to retain in statute a reference point for establishing the level of administrative fees and that this reference point call for an adequate fee level. Over

most of the life of the tenant-based Section 8 program, overall fees provided have exceeded 10 percent of appropriated HAP. This has not been the case in recent years, however. Administrative fees in FY 2007 represent just 8.78 percent of the national HAP payment funds. NAHRO recommends restoring the historic relationship in overall funding between administrative fees and HAP funds of 10 percent. While short term savings have been achieved in administrative fees, the present fee level is not sustainable in the long term.[1]

Section 8 Rents in Tax Credit Developments

NAHRO strongly supports the provision in SEVRA that would clarify and confirm that Section 8 voucher rents in projects supported by Low income Housing Tax Credits are not limited to the tax credit rent. This provision is necessary to achieve accessibility to LIHTC projects by Extremely Low Income (ELI) and Very Low Income (VLI) families. This provision will resolve confusion presently existing concerning whether Section 8 rent limits are appropriate in this context.

Rent Simplicity & Household Recertifications

While intended to preserve a safety net for families, the current legislative and regulatory system of calculating family rents in Section 8 and Public Housing programs presents a number of difficulties. Over time, it has become increasingly complex, leading to errors in rental charges as well as confusion among residents. With respect to rent simplicity and reform NAHRO has adopted the following principles: 1) ensure a safety net for residents; 2) set rents as low as possible to foster affordability of housing, while maintaining the financial viability of the housing provider; 3) be administratively simple, easy to understand for both administrators and clients, and promote program integrity, and 4) include incentives for residents to increase household income toward achieving self-sufficiency as quickly as possible.

Accordingly, NAHRO supports, with minor technical suggestions, the provisions of SEVRA that would simplify the allowances, deductions and disregards, assuming that these changes are budget neutral. NAHRO also supports the provision that provides incentives to households to increase their earned income each year, as well as the provision providing reasonable thresholds to reduce the number of required interim household recertifications, and lessening the number of annual recertifications needed where households have 90 percent or more of their annual income

[1] Over the last several years, agencies with administrative fee reserves have reported that they have negative cash flows in administering their voucher programs. Some have had to take drastic measures. A NAHRO survey in July 2004 found that as a result of agencies' per unit administrative fee which were reduced by 6.2% that year: 1) 20% of the responders stated that they had to lay off staff; 2) 41% reported increases in their staff's workloads; 3) 42% stated that the uncertainty surrounding the administrative fee rate for increased authorized leased units since August 1, 2003, created a financial disincentive to strive for 100 percent leasing. and 4) 36% stated that, due to HUD's pending pro-rata payment for agencies' audit costs rather than reimbursing agencies' in full for audit costs, their ability to pay for an Independent Public Accountant (IPA) to ensure the financial accountability of Section 8 HCV program would be compromised.

Moreover, while fees have decreased, administrative requirements have continued to increase with the implementation of the Enterprise Income Verification (EIV) system as well as HUD's more aggressive monitoring with "consolidated reviews." While these actions have been useful in improving the level of improper payments in the program they do have an administrative cost.

from fixed income sources, such as the Social Security Administration. We also support the provision giving PHAs a reasonable de minimis or "safe harbor" margin of rent calculation errors under HUD's RHIIP and RIM reviews.

Since the rent simplification provisions apply both to the voucher program and to public housing, and these programs may have significantly different tenant characteristics, we do suggest that prior to enactment the changes relating to rent calculation be separately scored for these two programs. It is particularly important that rent simplification not be revenue negative in the public housing program, which continues to face severe shortages in operating funding.

NAHRO recognizes that the provisions of the bill relate to rent "simplification" rather than rent "reform" as those terms are broadly understood. NAHRO does not suggest rent reform in the context of this bill. However, we see it as potentially appropriate subject matter in connection with public housing program reforms, depending on the course such reforms might take.

Housing Quality Inspections of Dwelling Units

NAHRO strongly supports the provision in SEVRA which will allow PHAs to complete 100 percent of annual inspections every two years. Among other things, this provision will compel HUD to restore implementation of a key component of existing law, by enabling HAs to perform annual inspections on a geographic basis rather than tying them to each household's lease anniversary. (HUD's PIC system presently requires annual Housing Quality Standards (HQS) inspections to be completed within a specified time period before each voucher-assisted households' annual recertification date.)

NAHRO also supports the provision in SEVRA enabling PHAs at their discretion to approve a dwelling unit under the voucher program in lieu of its own HQS inspection, if it passes HQS or state/local code inspections with requirements meeting or exceeding HQS, when the inspection is performed by other governmental entities (e.g.. LIHTC inspections).

NAHRO additionally supports the provision in SEVRA for new units that allows a PHA, in its discretion, to allow an eligible voucher household to move into a unit and sign a lease with the property owner, and the PHA to enter into a HAP contract with the property owner and tender an initial HAP payment, so long as an HQS inspection reveals no health and safety violations are present. If necessary repairs cited in the initial inspection are not completed within 30 days, PHAs would have the discretion to withhold and abate HAP payments until such violations were corrected. The PHA could then commence HAP contract termination with 30 days' notice for 90 days of extended non-compliance. This provision of SEVRA should help low-income voucher holders access a greater number and range of units that in the past have been rented to unassisted households with respect to whom inspections are not required.

Effective Date

We recommend the entire funding policy of the bill take effect on January 1, 2008, assuming that HUD's implementation of the 2007 funding formula is timely. Implementing funding policy changes as well as other programmatic changes such as rent calculations in the middle of the

program year could have some unintended disruptive effects on the voucher program and agencies' leasing rates. We recommend this because PHAs who have received inadequate funds during the last three years will need CY 2007 to stabilize their leasing before any reallocation should take effect. We are concerned, however, about HUD's failure to acknowledge PL 110-5 in two funding notices sent to agencies after it was signed into law by the President on February 15, 2007. Further delays by the Department, which to date has only provided funding notices to PHAs based on the funding levels appropriated by Congress for both HAP and administrative fees at FY 2006 funding levels and FY 2006 distribution formulas is inhibiting agencies from fully ramping up their leasing and budget utilization rates. If this continues, we would recommend the reallocation provision of SEVRA take effect on January 1, 2009.

Comments on Matters Not Included in SEVRA Discussion Draft

We understand that the discussion draft to which these comments are directed is a work in process and that language may be added addressing other matters such as the Moving to Work Demonstration program. With the potential that additional subject matter might be added to SEVRA, NAHRO offers the following suggestions for consideration by the Committee:

Section 8 Voucher Program – Additional Reform Proposals

NAHRO has created a working document known as the "Framework to Restructure the Housing Choice Voucher Program" that contains a wide range of legislative and regulatory suggestions relating to the voucher program. Some of these are technical; others are more fundamental. NAHRO wishes to submit for the Committee's consideration certain provisions drawn from the Framework document. These are set forth on the attachment to this testimony entitled "Excerpts from NAHRO's Framework for Restructuring HCV Program."

Proposals for Report Language

Monthly Voucher Management System Data to Improve Funding Allocation and Projections

NAHRO suggests that Congress further direct HUD to implement a previous congressional directive to require monthly submission and auditing of Voucher Management System (VMS) data, rather than performing these functions quarterly. Moving to a monthly VMS system would help provide greater refinement in HUD's estimates to Congress of voucher funding needs, as well as aiding in timely implementation of voucher funding distributions. As we understand it, Congress established the VMS system to maximize the use of limited federal resources across diverse housing markets according to need, and to provide a more accurate projection of future program needs.

Regulatory matters

NAHRO also suggests that, without statutory reforms, HUD could on its own initiative undertake a number of regulatory and administrative reforms to improve voucher program operation. A memorandum describing some of these reforms is attached to this testimony.

Matters involving Public Housing

NAHRO understands that the final SEVRA legislation may likely include additional provisions that may affect public housing or public housing agencies. Among these are provisions relating to the Moving to Work (MtW) Demonstration Program or the MtW concept. Having not yet seen the provisions that might be included, NAHRO nonetheless would offer the following:

Moving to Work

NAHRO is aware that several alternatives relating to the MtW concept are being advanced. NAHRO urges that, whatever course the committee decides to take, it should make the MtW program permanent and expand it. Some previous proposals have called for reapplications at relatively short intervals. NAHRO strongly urges that any legislation authorizing this program reflect that predictability and certainty are necessary to the success of the program. Winding down an agency's MtW program is not easy, and agencies participating in the MtW programs should not face the uncertainty of program termination or frequent (perhaps, *any*) reapplication, provided they are not in default under their agreements.

Public Housing Pilot Program

NAHRO has advanced a legislative proposal to convert 100 public housing projects to project-based assistance under Section 8(b) of the housing Act. Oversight of these projects would be transferred from HUD's Office of Public and Indian Housing to HUD's office of Housing where the assistance would be administered, and the projects would be overseen in the same manner as other multifamily projects under the responsibility of the Office of Housing. All public housing subsidy would be discontinued and rents would be set as they are for section 8 project-based multifamily renewals, except that in setting rents HUD would take into account the need to establish replacement reserves. Rents would be adjusted annually using HUD's Operating Cost Adjustment Factors (OCAFs). As with existing multifamily projects the PHA would have the option of establishing budget based rents subject to HUD approval. Additionally, these projects would be transferable to entities that would permit them to become eligible for Low Income Housing Tax Credits as a means of meeting their capital needs.

Ultimately, the approach taken in this pilot program could provide a means to stabilize public housing and attract the capital necessary to meet is accrued capital needs. Materials providing more detailed information, including a description of the proposed pilot program, legislative language and brief justifications are attached to this testimony.

Public Housing Reform Generally

NAHRO understands that, while it may affect public housing in certain respects, SEVRA is not intended to be a primary vehicle to achieve public housing program reform. Nor is it a housing production bill. SEVRA is most certainly beneficial in its own right. However, as the Committee considers it, we urge that SEVRA be viewed as one piece of a larger effort at housing program reform. NAHRO believes that public housing program reform is also of critical

importance. It is particularly critical in our view that a higher level of predictability attend the funding of the public housing program and that a means be found in the reasonably short term to address the increasing, unmet capital needs of the public housing inventory. NAHRO is developing proposals for public housing reform that we will wish to offer for the Committee's consideration in a context other than SEVRA.

Affordable Housing Production

HUD's most recent report on national housing needs of very-low income households states, "Housing assistance from various sources plays a substantial role in reducing worst case housing needs." Since FY 2003 no new incremental vouchers have been funded to help meet the nation's "worst case needs." NAHRO's analysis shows that since the implementation of budget-based funding formulas, the number of voucher assisted households significantly declined. In addition, although some public housing units have been constructed under HOPE VI the number is less than those demolished, and the nation has not had a conventional public housing development program since the mid-1990s.

We are not making progress against the need. For the first time since such records have been kept, fewer very-low-income households are being served under federal housing assistance programs than in the preceding years. From 1978, in each successive American Housing Survey (AHS) data set, the number of very-low-income households being served under federal housing assistance programs increased - until 2003. However, in 2003 for the first time, a HUD report based the AHS shows a 1 percent drop (of 68,000 households) in the number of very-low-income households being served under federal housing assistance programs.

The National Low-Income Housing Coalition's analysis of the 2005 American Community Survey (ACS) found that there existed statistically significant increases in the numbers of severely cost-burdened ELI and VLI households between 2004 and 2005. Overall, the number of all severely cost-burdened renter households increased by 8 percent, composed of 6 percent and 13 percent increases among ELI and VLI renter households, respectively.

Since 2003 – the latest period covered by HUD's most recent "worst-case" needs report, the U.S. Census Bureau released its 2005 Income & Poverty Report, showing an increase of U.S. families living in "severe poverty." Forty-three percent of the poor earned less than half of the poverty limit, the highest percentage recorded since the government started keeping track of those numbers in 1975.

Our nation continues to wrestle with a basic truth: there are simply not enough units of affordable housing available. NAHRO has long supported creation of a new program for the production of affordable housing that is formula-driven and provides local communities direct access to federal funds with minimal federal regulations. We favor a new production program that serves those families earning less than 50 percent of area median income (AMI). High-cost areas should be permitted to serve those earning up to 80 percent of AMI. Mixed-income developments should be a requirement of the program, with a rent structure that includes an economic rent similar to the HOME and LIHTC programs. NAHRO believes this new program should be formula-based, with 60 percent of funds allocated directly to local communities and 40 percent of funds distributed among the states. NAHRO remains committed to working with the

Congress to provide state and local housing agencies and redevelopment authorities with what they have long needed: a new and dedicated source of funding for the production of affordable housing.

Oversight

NAHRO members are anxious to restore their number of leased families lost over the last several years, or to maintain and increase their high leasing levels. In this regard, these agencies are anxious to receive their CY 2007 annual budget authority amounts under P.L. 110-5. Some would like to have the opportunity to apply for some portion of the $100 million adjustment fund. It is necessary that HUD implement the 2007 funding cycle for the voucher program in a timely and accurate manner. The correct functioning of the 2007 distributional formula for the voucher program depends on timely notification of budget authority so that agencies may plan and obligate their funding as appropriate. We suggest that the committee conduct such oversight as is necessary to ensure such timeliness.

The assisted housing industry also continues to await release of the FY 2007 income limit data. This data is used in many programs and is necessary for optimal functioning of the HUD programs.

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HUD Can Act Now to Provide Housing Agencies with Program Cost Reductions, Flexibility and Streamlining through Regulatory and Administrative Reforms
March 2007

Congress passed major reforms to the Section 8 Housing Choice Voucher program (HCV) in 1998 under the Quality Housing Work and Responsibility Act (QHWRA). The act was designed to give housing agencies (HAs) the maximum feasible authority, discretion and control with appropriate accountability to residents, localities and the general public. NAHRO believes that HUD should act now, to build on the successes which followed bi-partisan legislative actions such as QHWRA. Since August 2003 and in successive years, NAHRO has requested the Department to move forward with the regulatory reforms listed below, in order to achieve cost savings and greater program efficiency under the HCV program. These regulatory and administrative reforms do not require any new legislation or additional appropriations.

House report language for FY 2006 T-THUD appropriations bill, directed HUD to provide Congress with a list of administrative and regulatory changes that can be put in place in time to benefit HAs for 2006. House Report 109-153 states, "...**the Committee directs the Department to take whatever regulatory and administrative actions it can to increase flexibility, reduce administrative burden and streamline program implementation. The Committee directs the Department to provide a full report on the regulatory and administrative actions available to the Department by September 1, 2005.**" To date nothing has been implemented by HUD. NAHRO agency members appreciate the initiative and oversight of Congress to ensure implementation of outstanding regulatory and administrative reforms in a timely manner.

In 2005, HUD made progress on regulatory and administrative reforms including a final rule for the Section 8 Project-Based Voucher Assistance program, implementing the New Hires database income verification systems, and automating a portability voucher expense system. The regulatory flexibility HUD provided under PIH Notice 2005-9, was also a step in the right direction. However, it is imperative that additional regulatory reforms be implemented this year, and not delayed further due to Section 8 legislative proposals. HAs that face serving fewer families, increasing rent burdens and losing property owner participation, should not have to wait for regulatory and administrative reforms any longer. The regulatory and administrative relief for which NAHRO has advocated, would help achieve program cost savings, program streamlining, and greater local flexibility. These reforms include but are not limited to those shown in the attached matrix.

HUD's Program Goals	HUD Can Act Now	Program Benefit	HUD's Status
Consolidate and reduce duplicative reporting requirements to HUD	HUD was compelled under the consortium statute (Section 13(a)(2)(B) of the U.S. Housing Act) within QHWRA, to consolidate all HUD reporting requirements for agencies engaged in consortium. If completed by HUD, this would allow HAs to administer a multitude of programs in consortium and achieve significant program streamlining and administrative cost saving. Completing this requirement would provide significant benefits particularly to small agencies around the country.	Program streamlining Admin. cost savings	Incomplete
Improve performance assessments for small HAs and put the program in a market-based context	NAHRO has called for HUD to reform its point rating system for small HAs, which HUD's studies have demonstrated unfairly skew overall ratings for small HAs. Small agencies are assessed under the Section Eight Management Assessment Program (SEMAP) on only 7 of the 13 indicators available. As a result, the total number of possible points in the denominator of their overall score is less than medium and large-sized agencies. Therefore, deductions in points for any of the 7 indicators in the numerator of their overall score, has a greater disproportionate impact on their SEMAP score than medium or large-sized agencies. NAHRO has also called for HUD to include critical market-based factors in evaluating Section 8 HCV program performance, such as vacancy rates.	Program streamlining, More equitable program performance assessments, Increased market-based elements	Incomplete
Reforming Utility Allowances	HUD should provide HAs with the utility data it gathers from the annual Fair Market Rent (FMR) calculations, rather than every HA having to undertake their own utility studies which can be time consuming and an additional expense. HAs should be able to use the utility allowance of a household's authorized voucher size if the bedroom size of their leased unit is greater than their authorized voucher size. In addition, HAs should be allowed to use the lower of their utility companies' "lifeline" rates or the standard commercial rate averages. Finally, HAs should be able to use simplified utility allowance schedules by bedroom size only, without additional allowances by all building types (i.e. high rise, garden & row, etc.)	Program cost savings, Program streamlining	Incomplete
Improve portability and enforce accurate rental subsidy payments	As a result of a HUD Inspector General (IG) report, HUD was directed to implement a portability system with greater standardization in the billing and payment procedures. HUD implemented the IG's recommendations to help bring about reasonable enforcement mechanisms to enhance the existing portability system and reduce HAs' administrative problems. However, additional measures should be taken including: • an enforcement mechanism for receiving agencies to enable them to enter voucher-assisted household into the PIC system, in those instances when an issuing agency has not entered the household's "end of participation" code into the PIC system within a reasonable time frame. • Adding separate fields within the 52681-B form under the Voucher Management System (VMS) specifically	Program streamlining	Implemented Inspector General's report in 2004, however, additional measures could be taken.

	for portability billings and the HAs to which they apply, so that initial agencies can request and receive both HAP and administrative fees applicable to the receiving agency's jurisdiction; • Within the confines established under QHWRA, give initial housing agencies a greater measure of control concerning the time-frames voucher holders have to search for a unit after exercising the portability option; • Under the existing portability regulations, agencies performing the admissions and occupancy determinations, have no control over their lease-up or utilization rates, and no ability to reasonably predict how their portability vouchers will be absorbed or billed in the future. Agencies need more advanced notice of when absorptions and billings will occur. Revise regulations such that an agency that is 98 percent leased or greater with portability billings (i.e. billings to an initial agency) must absorb 25 percent of their turnover vouchers for billings under lease for 1 year or more. Portability billings would be absorbed, starting with oldest billings first; and • Unused funds recaptured from agencies with "chronic" underutilization (i.e. below 90 percent and not leased back up to 95 percent or higher), would have the remaining funding and vouchers reallocated to pay for new vouchers. These new vouchers would be reallocated first within the MSA, then State and then within the Nation. The eligibility for these vouchers would be the same as incremental "Fair Share" vouchers with one additional preference for those agencies with portability billings still on their books.		
Improve monitoring and oversight of housing agencies with demonstrated program performance where they are truly at-risk of going into "troubled" status.	The Department has internal risk-assessment databases to use when targeting on-site audits, yet Housing Agencies which administer 80 percent of all vouchers nationwide, that have received multiple HUD audits over the last several years are subject to additional pending "consolidated reviews" in 2006. HUD's pending "consolidated reviews" will take place with Housing Agencies that have received multiple HUD audits and program reviews over the last several years, without ever having received the results of those reviews. Greater measures are needed, to make sure that agencies are not subject to a multiplicity of on-site visits for duplicative purposes The description of the audits, in the documents we have seen is unacceptably vague. To date, no protocol or transparent set of standards for those audits have been provided. The administration of the Section 8 voucher program is already reviewed through Rental Housing Integrity Improvement Program (RHIIP)/Rental Integrity Monitoring (RIM) on-site reviews, SEMAP confirmatory on-site reviews, independent audits, and checks in the Financial Management Center, and MTCS. All of these reviews require additional Housing Agency staff time in what is already a staff intensive program operating with continuing reductions in administrative fee support. While we acknowledge that the	More efficient and effective targeting of limited resources for monitoring and oversight	"Consolidated reviews" began in 2006

	Department has the right (and obligation) to conduct reasonable oversight activities, as well as a mandate to ensure that its data systems contain accurate data, we believe that it also has the obligation to conduct those activities in an efficient manner that avoids redundancy and causes the least disruption of HA activities. Its obligation in this respect is all the more acute at a time when there are fewer resources available to serve Section 8 families.		
Correct Lease-up Rate Calculation Method for Project-Basing of Tenant-Based Vouchers	HAs that want to take advantage of the Section 8 Project-Based Assistance (PBA) Program find themselves between a proverbial "rock and a hard place." HAs want to designate a portion of their Section 8 ACC (up to 20 percent) in order to have enough units to attract or leverage private investment and LIHTC under their local Qualified Allocation Plan. If they do so, however, it takes time for the Section 8 PBA construction or substantial rehabilitation to take place. This, in turn, adversely affects the HA's voucher lease-up rates because the vouchers being designated for Section 8 PBA construction or substantial rehabilitation are currently counted by HUD against their voucher lease-up rates during that time period. HUD should give HAs a grace period on counting units that have designated or committed Section 8 vouchers under the PBV program for new construction or substantial rehab. This grace period should be provided as long as there is a well-defined construction plan in place with specific time-frames, which are documented and submitted to HUD in a reasonable fashion determined by the Secretary. In the past, some agencies were required by their local HUD field offices to not re-issue turnover vouchers to eligible applicant or lease them up under the program until such time that they had a sufficient number of unused vouchers to project-based.	Program Streamlining Maximizing resources to serve the greatest number of households	Incomplete
Improve verification of household status in formerly federally assisted housing programs to ensure the integrity of affordable housing programs and serve eligible applicant households in need	Provide all Housing Agencies with access to HUD's PIC viewer data system, in order to determine whether applicants left previously any federal housing program (i.e. Section 8 tenant-based, Section 8 project-based, Public Housing, etc.) owing monies or having their participation in federally-assisted housing program terminated in bad standing.	Program integrity Program cost savings	Incomplete

Brief Outline of Proposal to Convert Public Housing

Projects to Section 8 Projects

1) Start with pilot program of 100 projects, with a range of characteristics (including size, age, location, neighborhood quality, physical condition, building type, and tenant population). Projects to be selected from among those proposed for conversion by PHAs.

2) Treat the conversion of public housing projects to Section 8 projects in the same manner as expiring contracts on Section 8 projects are renewed.

3) Establish rents and rent adjustments in accordance with section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, with some modifications.

   - At the option of the owner, rent would be at comparable market rent for the area, or determined by the Secretary on a budget basis taking into account the need to provide for sufficient replacement reserves to replace capital subsidy funds.

   - Market rent would be redetermined every five years.

   - Rents would be adjusted each year by an OCAF (which cannot be negative) or at the request of the owner on a budget-basis.

4) Term of the initial Housing Assistance Payment (HAP) contract between the owner and HUD (or a contract administrator) would be the longer of 20 years or the remaining affordability term under the public housing program, subject to annual appropriations.

5) At the time of conversion, Secretary would be required to release the project from the ACC, deed of trust, and any other encumbrance in favor of the federal government, and property would no longer be subject to any federal law or requirement applicable solely to public housing.

6) At time of conversion, Secretary would be required to transfer permanent administrative oversight responsibility for converted projects to HUD Office of Housing. Office of Housing would administer the pilot program.

7) A converted project could be transferred to a for-profit limited partnership, as such term is used in the Section 202 program, with the PHA or a nonprofit entity affiliated with the PHA serving as the sole general partner of the limited partnership. This structure will permit the use of the low-income housing tax credit to pay for a substantial portion of any needed rehabilitation.

PILOT PROGRAM FOR CONVERSION OF PUBLIC HOUSING TO PROJECT-BASED ASSISTANCE

SEC. _______. (a) The Secretary of Housing and Urban Development ("Secretary") shall carry out a pilot program to convert 100 public housing projects to projects receiving assistance pursuant to section 8(b)(2) of the United States Housing Act of 1937, as in effect prior to October 1, 1983, except as modified by this section. The projects converted shall be selected from among those proposed for conversion in applications submitted by PHAs and shall be of varying characteristics (including size, age, location, neighborhood quality, physical condition, building type and tenant population).

(b) The initial rent for a unit shall be determined, at the option of the public housing agency (1) at the comparable market rent for the area or (2) on a budget basis. In approving a budget-based rent, the Secretary shall take into account the need to provide for sufficient replacement reserves to offset a reduction or elimination of capital subsidy funds for a project. Annual rent adjustments shall be made by the Secretary in accordance with the policy contained in section 524(c) of the Multifamily Assisted Housing Reform and Affordability Act of 1997.

(c) The term of any contract for assistance payments pursuant to this section shall be the longer of 20 years or the remaining period during which the project would have been required to be operated as public housing immediately prior to the conversion, subject to the availability of sufficient amounts in appropriation Acts.

(d) At the time of conversion, the Secretary shall release the project from any applicable annual contributions contract, release and cancel of record all deeds of trust and other instruments encumbering the project in favor of the federal government, and transfer administrative oversight responsibility for the project to the Office of Housing. Upon conversion, a project shall no longer be subject to federal laws and requirements applicable solely to public housing projects.

(e) Ownership of a project converted under this section may be transferred to a for-profit limited partnership, as such term is defined in section 202(k)(4) of the Housing Act of 1959, and the public housing agency or a nonprofit entity affiliated with the public housing agency shall be the sole general partner of the limited partnership.

NAHRO Public Housing Conversion - Pilot Proposal

The attached pilot proposal would require the HUD Secretary to convert up to 100 public housing projects (AMPs) to project-based section 8 assisted projects supervised by HUD's Office of Housing. These projects would be of varying characteristics and would be selected from among projects proposed for such conversion by public housing agencies (PHAs).

This proposal is offered within the context of:

1) an ongoing debate between HUD and PHAs concerning the comparability of public housing projects supervised by HUD's Office of Public and Indian Housing to FHA multifamily projects as this bears on the prospective shift to asset-based management of public housing. HUD has insisted that the administrative environments are substantially comparable and has structured its implementation guidance for asset management on this assumption. PHAs have questioned this and have argued (during the negotiated rulemaking and at all times subsequent to it) that a public housing regulatory and oversight environment comparable to that of FHA multifamily projects is essential for asset management as it is presently being implemented by HUD to succeed.

2) the persistent inability of the federal government to provide adequate financial resources to meet the capital needs of public housing.

The pilot proposal would:

► test HUD assumptions of regulatory and oversight comparability between FHA multifamily projects and public housing projects. The pilot would, with respect to the converted projects, eliminate all areas of present contention surrounding appropriate management fees and the conjoined issues relating to the comparability of FHA multifamily projects and public housing.

► require no new programs. The pilot would merely transfer public housing projects into the existing renewal process under the Multifamily Assisted Housing Reform and Affordability Act of 1997, with statutory adjustment to allow this process.

► posture the properties to have better access to public and private financing to meet accrued capital needs that are critical to maintaining the viability of these assets. This would be accomplished in two principal ways:

-- stabilizing and rendering predictable the income of the converted projects and placing them in a regulatory environment that would allow them to more readily access private sector financing for meeting accrued, unmet capital needs.

-- allowing PHAs to transfer the affected public housing projects to entities that could seek and receive equity in the form of Low Income Housing Tax Credits.

► require little or no incremental cost to the federal government.

	Excerpts from NAHRO's Framework for Restructuring HCV Program
Appropriations Benchmarking	To provide a benchmark for use in the annual appropriations process, Congress would declare national HCV program goals (which could include a Congressional "affordability standard" in each agency's service area). The goals would provide a reference to Congress in determining how well the voucher program meets the nation's affordable housing needs and would supply a reference point for determining the amount of annual appropriations. The Secretary would report annually to the congressional authorizing and appropriations subcommittees of jurisdiction on the effectiveness of the HCV program in achieving the established national goals for the program and the adequacy of then current level of funding for such purposes. If the level of funding proposed, is determined to be insufficient for achieving the national goals, the Secretary would make recommendations to Congress concerning the appropriate level of funding. To assist Congress in evaluating the efficacy of the newly authorized HCV program under its appropriated amounts, HUD's periodic reports would also include information relating to the HCV program's performance benchmarked against the national goals in previous years. To aid the appropriations process, HUD would report annually to the authorizing and appropriations subcommittees of jurisdiction, for each Metropolitan Statistical Area and Non-metropolitan Statistical Area, for the following: 1) number, size and types of households served by the HCV program, 2) average depth of subsidy as a percentage of FMR, 3) income profiles of assisted families as they compare with income profiles of the general population in the area served, 4) rent burdens of assisted families as a percentage of gross income as they compare with rent burdens of the general population of the area served, 5) demand-side need for affordable housing and 6) changes in the rates of annual inflation factors relative to changes in FMRs amounts (with utilities as a separate line item).
Truth in Budgeting	HUD must notify Congress in advance of their action on annual budget caps and appropriations bills, of the pro-ration in the voucher program, based on the Department's budget request funding levels as distributed through existing authorizing law.
Eligibility & Preferences & Waiting List Management	Agencies would also be able to establish separate waiting lists by bedroom sizes.
Self Sufficiency / Other Adjunct Programs	• Requested $72 million for FSS in FY 2006 and supports adequate funding for program in future years. • Programs must be authorized and funded separately; appropriations for rental/homeownership assistance used only for HAP and administration of program • HUD self-sufficiency programs to be appropriated within HUD rather than other federal agencies • HUD services should be augmented by services through other related federal programs/agencies; re-establish an interagency council to coordinate efforts NAHRO proposes retaining other "special purpose" programs. Over its history, the HCV program has provided critical housing support to assist families who volunteer to strive to become economically independent from government services within a

	five- to seven-year period; help families make the transition from welfare to work; enable families currently residing in low poverty census tracts; help families struggling to stay together and avoid placement of children in foster homes; help prevent displacement of low-income households when private property owners opt-out of their project-based contracts, help provide independent living and assisted living opportunities for low-income elderly, help provide independent and supportive housing opportunities for disabled households, and help veterans suffering from chronic mental illness live independently. Vouchers for the above programs were awarded based on each population's severe housing needs in their communities as well as the capabilities of housing agencies and service providers in those communities. NAHRO does not believe that HAs should be faced with the political burdens of having to remove scarce resources from low-income special populations with worst housing needs amongst those with "worst-case" housing needs.
Household Level Reporting Systems	HAs' Voucher Management System (VMS) should be retained. PIC requires HAs to report monthly on a wide range of activity including move-ins, move-outs, vacancy rates, annual re-certifications and interim re-certifications. HAs now report almost every resident action to HUD using an eleven-page form that populates a database allowing HUD to know more about residents and housing authorities today than ever in the past. Each affected agency must submit information to assist HUD in managing and monitoring HUD assisted housing programs, to protect the Government's interest and to verify the accuracy of the information received. HUD will use the information to: (1) monitor program participants' compliance with requirements, (2) provide demographic information describing tenants' characteristics, (3) participate in income matching, to detect fraud, and (4) plan for future use of the housing inventory with emphasis on the housing needs of special groups. This collection is authorized by the U.S. Housing Act of 1937. HAs spend a disproportionate amount of staff time correcting PIC problems in order to avoid the sanctions associated with reporting under 95%. HUD Form 50058 and the information reporting requirements associated with it would be simplified and allow for multiple rent models. Specifically, NAHRO recommends moving towards a collection system something like the Form HUD-50058 MTW Family Report and Guidance for MtW Sites on Removing Records from the Form 50058 Module and Initially Populating the MtW Module (April 2006). HUD estimates that public reporting burden for the MtW 50058 form collection of information is estimated to average 30 minutes per response in the first year, and 15 minutes per response in subsequent years. HUD's estimate includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. NAHRO will request line-item funding to assist HAs in offsetting software costs associated with new tenant rent calculation systems and other implementation features of the proposal. NAHRO's governing body endorsed new legislation to relieve paperwork burdens on small PHAs on May 11, 2006. Senator John Sununu (R-N.H.) introduced the Small Public Housing Authority Paperwork Reduction Act (S 2707) in the Senate May 3. The bill waives the PHA plan requirement for non-troubled agencies with 500 or fewer units of public housing or any number of Section 8 vouchers. In lieu of a plan, the bill requires PHAs to conduct an annual hearing to review changes to the "goals, objectives and policies" of the agencies and invite public comment. PHAs would continue to consult with Resident Advisory Boards prior to the annual hearing and provide 45 days notice of the hearing.
Utilities	• HA does not report on utilities use or cost to HUD. Instead, HUD will continue to calculate utilities as a separate component of FMRs and report

	them separately from rents.
Payment Standards & Rent Reasonableness	NAHRO's framework contemplates funding to accommodate payment standards at 100 percent of national FMR in FY 2006 and beyond using an actual cost distribution formula (with pro-ration formulas if necessary based on appropriation). With those funds, HAs can set their payment standards up to 120%, or higher with HUD approval. HA discretion to adjust for: o Size of unit o Location o Quality and condition o Different standards for project-based developments o Other • Can be changed by HA with at least 90 days' notice Modified / simplified rent reasonableness requirement based on unit bedroom size, location and overall condition/amenities rating.

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March 9, 2007

TESTIMONY OF BARBARA SARD
Director of Housing Policy
Center on Budget and Policy Priorities

Before the House Financial Services Subcommittee on Housing and Community Opportunity

I appreciate the opportunity to testify concerning the proposed Section 8 Voucher Reform Act. I am Barbara Sard, director of housing policy at the Center on Budget and Policy Priorities. The Center is an independent, nonprofit policy institute that conducts research and analysis on a range of federal and state policy issues, with particular emphasis on fiscal policies and policies affecting low- and moderate-income families. The housing work of the Center focuses primarily on the housing voucher program. We receive no government grants or contracts and are funded by foundations and individual donors.

Overview

The Section 8 voucher program is the nation's largest low-income housing program. It has proven effective in reducing homelessness and severe housing costs burdens, and improving housing and neighborhood quality and family well-being. As with any government program, the voucher program needs to evolve over time, as circumstances change and lessons are learned. Nine years have passed since the 1998 enactment of the Quality Housing and Work Responsibility Act (QHWRA), the last major authorizing legislation affecting the voucher program. The Section 8 Voucher Reform Act (SEVRA) represents a timely, balanced, carefully-crafted effort to improve certain aspects of the voucher program, while at the same time leaving in place the core characteristics that have underpinned the program's success.

SEVRA's most important provisions would establish a fair, efficient and comprehensive funding formula to make permanent the reform begun by the fiscal year 2007 appropriations resolution. Largely as a result of flawed funding formulas that HUD and Congressional appropriations committees put in place from 2004 to 2006, the number of families receiving voucher assistance has declined by about 150,000 since early 2004. The SEVRA funding formula would bring badly needed stability to the program, allowing and encouraging agencies to serve additional families and meet other key program goals while maintaining incentives to contain cost growth.

In addition, SEVRA would streamline and strengthen program rules in several key areas -- including voucher housing quality inspections, targeting of vouchers on extremely low-income

families, and rules for determining tenant rents in the voucher program, public housing, and privately owned assisted housing – while maintaining vital tenant protections.

We understand that the version of SEVRA to be introduced shortly will omit a section from the version of SEVRA considered in the last Congress (H.R. 5443) which would have expanded the "Moving to Work" demonstration without assurance of meaningful evaluation or adequate opportunities for the families served by the voucher and public housing programs to participate in the development of new local policies. We opposed this provision, and are pleased that the committee has reconsidered its inclusion. Any extension or expansion of MTW should be limited in scope, and carefully designed to ensure that tenants retain fundamental protections of federal housing law and have real opportunities to participate in policy development, and that the demonstration produces real research findings that can be applied broadly to improve the low-income housing programs of the future.

We also would like to draw the committee's attention to several potential improvements to the voucher program that are not included in the discussion draft.

- Simplifying the process used to administer "portability" of vouchers from the jurisdiction of one agency to the jurisdiction of another;
- Ensuring that caps on the rents vouchers can cover, or "payment standards," are adequate to prevent unreasonable rent burdens for poor families and enable families to live outside areas of concentrated poverty;
- Making it easier for housing agencies to use the "project-based voucher" option to promote a range of housing goals;
- Allowing greater use of vouchers in mobile homes; and
- Improving the performance measurement requirement in SEVRA by adding agency performance measures relating to deconcentration of poverty and other important social objectives.

Voucher Renewal Funding Policy

SEVRA's most important improvement to the voucher program would be to establish an efficient, stable formula for distributing renewal funds each year to the more than 2,400 state and local housing agencies that administer the program. The balanced, comprehensive policy will encourage agencies to serve more families with available funds while restraining per-voucher costs, and will make participation in the program more attractive to owners. The SEVRA funding policy also will support core program goals such as affordability and choice.

System Used in Recent Years Allocated Funds Inefficiently

From 2004 to 2006, Congressional appropriations committees and the U.S. Department of Housing and Urban Development (HUD) have made a series of changes in the voucher renewal

funding formula. These changes have had the unintended effect of destabilizing the program and causing shortfalls at many housing agencies, even as other agencies have received more voucher funding than they can use.

As a result, about 150,000 vouchers have been lost nationally from early 2004 through September 2006 (the latest HUD data available to us). And voucher "utilization" rates — i.e., the percentage of authorized vouchers actually in use, a standard that is used to measure the program's success — have fallen significantly. Contributing to this decline, many agencies have sought to protect themselves against possible future funding shortfalls by leasing fewer vouchers than they had funds to support. Nationwide, voucher utilization fell from 98.5 percent of the authorized vouchers in 2003-04 to about 92.5 percent in the first nine months of calendar 2006.

One of the central flaws in the voucher funding formula used in 2006 was that it based allocations of voucher funding on outdated data regarding program costs from 2004, inflated by formula inflation factors. If per-voucher costs had increased at the rate of inflation in rent and utility costs in the two year period from the fall of 2004 to the fall of 2006, the average cost increase would have been about $42 per month. Instead, *the average cost of a voucher in September 2006 was $7 less than in November 2004.* The use of outdated cost data was the primary reason that some agencies received more funding than they were permitted to spend in the last two years. Because Congress did not provide sufficient funding to fully fund each agency's allocation under the formula, other agencies received too little, and had to cut vouchers. Indeed, if the funds provided for voucher renewals in 2007 had continued to be allocated under this out-of-date formula, each agency's funding would have been cut 8 percent below the amount due under the formula, a substantially deeper cut than the 5.6 percent proration in effect in 2006.

SEVRA Would Put More Vouchers to Use and End Waste of Unspent Funds

In February 2007, however, Congress enacted a fiscal year 2007 funding resolution with a new voucher funding formula that embodies the primary component of the SEVRA approach. Under the 2007 resolution, voucher funds will be allocated based on the cost of vouchers in use during the most recent 12 months for which data are available (most likely January-December 2006), adjusted for inflation. As a result, agency funding levels in 2007 will be far more closely linked to their actual funding needs than was the case in 2006.

The funding formula in SEVRA would build on the formula in the 2007 resolution, by continuing to base funding on cost data for the most recent calendar year. (That is, in 2008 agencies would receive annual budgets based on leasing and costs in 2007.) Importantly, SEVRA would incorporate this funding approach in permanent law, providing security to housing agencies, property owners, and voucher holders that the first claim on available funds will be to renew vouchers in use. In addition, SEVRA would add three new features that would further improve the funding formula and provide a comprehensive solution to the difficulties the voucher program has experienced in recent years:

- **Reserves.** Housing agencies that do not use all of the funds available in 2007 --- including substantial fund balances built up over the last two years --- would be able to keep up to one month of funding (about eight percent) for use in 2008. By drawing on these reserves, some

agencies will be able to increase the number of families served above the 2007 level, helping to make up for the late start of the new funding policy this year.[1] After that, they only would be able to retain reserves up to two percent of their annual funding. Modest reserves can enable agencies to make full use of their funds, because they can serve as contingency funds to cover unexpected cost overruns stemming from local rent surges or other factors.

- **Reallocation.** If agencies leave more funds unspent than they are permitted to keep as reserves, HUD would reallocate the excess funds in the following year to other agencies that (1) need the funds to cover costs related to "portability," or the movement of voucher holders from one agency's jurisdiction to another's; (2) need the funds to cover costs under HUD's Family Self-Sufficiency asset-development program; or (3) performed best at using their funds in the previous year to serve eligible families and could use additional funds to put more of their authorized vouchers to use.

- **Funding advances.** Housing agencies that do not have enough unspent funds to provide them with a reserve equal to two percent of their funding would have access in the final months of the year to temporary funding advances. These advances, which would also be capped at two percent of each agency's funding, would ensure that agencies that made full (or nearly full) use of their funds would have an alternative source of contingency funds to cover unexpected overruns, in place of reserves. The advances would be paid back out of the agency's funding allocation for the following year.[2]

If Congress provided insufficient funds to cover the amount that housing agencies are eligible for under the SEVRA formula, each agency's funding level would be reduced on a pro-rata basis. If, on the other hand, Congress provided more funding than the formula would allocate, the additional funds would be distributed to agencies that meet the same three criteria as are listed above for the distribution of reallocated funds.

Also of importance, SEVRA would reform allocation of **administrative fees** to agencies. The Section 8 authorizing statute calls for agencies to be provided a fee for each voucher actually used during the year. But beginning in 2004, the annual appropriations acts have overridden this policy and required fees to be based, in effect, on the fees agencies earned in 2003, regardless of the number of vouchers now in use. Under this system, agencies receive the same amount of administrative fees regardless of whether they perform well or poorly in putting their voucher funds to use. SEVRA would reinstitute a system that ties each agency's administrative fee payments to its voucher utilization, thereby creating an incentive for agencies to lease the maximum number of vouchers than can be funded within the agency's budget. The restoration of payment of administrative fees based on leasing performance -- a change recommended by the Administration in

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[1] It is likely that many agencies will have substantially less than the one month of reserves agencies will be allowed to retain in 2008. We estimate that about one quarter of agencies ended 2006 with less than half of this amount, including 228 agencies with no reserves at all because they used all of their available funds to serve families.

[2] HUD provides voucher renewal funding to agencies on a calendar year basis. (E.g., HUD used funds made available by the fiscal year 2006 appropriations act to provide renewal funding to agencies for the 12 months beginning January 1, 2006.) Because the last three months of the funding year are in the subsequent federal fiscal year (which begins October 1), HUD may draw on funding for the next federal fiscal year to make such advances. By directing that the agency's next calendar year allocation be reduced by the amount of the advance, the bill provides important flexibility to agencies at no cost to the federal Treasury.

its 2008 budget request – is an important incentive for agencies to restrain per-voucher costs to the maximum extent consistent with high voucher utilization.

As explained below, these policies would work together to serve three key, closely related goals: reversing the recent decline in the number of vouchers in use, cutting waste, and restoring stable funding at the local level.

Reversing the Decline in the Number of Vouchers

SEVRA would likely result in a significant increase in the number of families served by the voucher program – and it would do so by improving the efficiency with which funds are distributed and used, not by adding costs to the program. Already, the funding formula Congress enacted for 2007 is likely to bring to a halt the sharp decline in voucher use that has occurred since 2004, and will allow many agencies to restore some of the cuts.

SEVRA would accelerate the restoration of the 2004-2006 cuts, and set the voucher program on a course for sustained high utilization in the future by offering strong incentives to housing agencies to put all of their voucher funds to use. By establishing utilization-based funding as a fixed policy for at least five years, SEVRA assures agencies that if they use as many of their vouchers as possible each year, they will very likely be rewarded with sufficient renewal funding in the future. In addition, under SEVRA agencies would know that any unspent funds (beyond the modest permitted reserve levels) would be reallocated to other agencies. Moreover, agencies could be confident that they could receive temporary funding advances to cover unexpected cost overruns that occurred due to factors they could not anticipate.[3] And, finally, agencies that use more vouchers would receive more administrative funds, providing a further incentive to increase voucher use.

Ending Waste Caused by Unspent Funds

The flip side of using available voucher funds to serve more families is the elimination of the waste of voucher funds that occurred under the policies in place from 2004 to 2006. In 2005, agencies left unspent about $270 million that they could have used to support authorized vouchers (plus an additional $95 million they were not permitted to spend due to the prohibition in the appropriations act on using renewal funds for unauthorized vouchers). In 2006, agencies left unspent about $1 billion of that year's renewal funding, despite the fact that two-thirds of these funds could have been used to support authorized vouchers.[4] The 2007 appropriations act limits the

[3] SEVRA expressly permits agencies to draw advance funds to support the costs of "temporary overleasing" — that is, an agency's serving more than the authorized number of families for a brief period of time. Because every family issued a voucher does not use it to rent housing, agencies typically overissue vouchers just like airlines overbook available seats. If more families succeed in using their vouchers than an agency had estimated, more vouchers may be leased than the agency is authorized to use or has funds to support. Unless agencies are allowed some flexibility to overlease temporarily, they will have to manage their programs conservatively and will be likely to underutilize available vouchers. (SEVRA would permit agencies to use regular renewal funds as well as their own reserves to lease as many vouchers – potentially above their authorized level – as the funding will support.)

[4] These figures exclude the 18 agencies with special funding agreements under the Moving to Work demonstration and the 14 Gulf Coast agencies that appear to have received approval from HUD to reserve all or a large portion of their voucher funds to rehabilitate public housing damaged in the 2005 hurricanes. The 2006 figures assume that voucher utilization and costs in the last quarter of 2006, for which we do not have data, continue at the average rate for the prior nine months.

potential for waste of voucher funds, by matching funding more closely to renewal funding needs. SEVRA would go further, by encouraging agencies to use as much of their funding as they can to assist families, and reallocating every dollar that is left unspent (beyond the limited reserve amounts) to the agencies most likely to use them.

Restoring Stable Funding for Housing Agencies

Under SEVRA, the voucher program's total funding level would still be set each year in the HUD appropriations bill. SEVRA would, however, take decisions about how funds are allocated among housing agencies out of the appropriations process. As result, it would provide housing agencies, landlords, and low-income families with much greater certainty about future voucher funding than they have had in the past few years, when the allocation formula as well as the funding level has been decided in the appropriations bill each year. Moreover, by basing renewal funding on regularly updated data, protecting a certain level of reserve funds and allowing agencies that run short of funds at the end of the year to borrow from the next year's allocation, the proposed funding policy would better enable agencies to maintain assistance to current program participants.

Thus, SEVRA would restore the type of predictability that was in place through 2003, when agencies were assured of receiving funds for authorized vouchers in use, while keeping in place important mechanisms for controlling costs overall. Setting funding formulas through authorizing legislation and related regulations that remain in place over multi-year periods is the typical practice in other federal programs.

Fully Replacing Lost Affordable Housing Units

Another important provision in SEVRA's funding section affects the issuance of "tenant protection" vouchers to replace federal housing assistance that is eliminated. (Each year, thousands of public housing units are demolished or sold, and private owners of 20,000 – 30,000 apartments with "project-based" subsidies cease to participate in HUD programs.[5]) SEVRA would direct HUD to issue tenant protection vouchers to replace all lost federal housing subsidies, whether or not they are occupied at the time the subsidy was eliminated. This would restore the policy that HUD generally followed until 2006. Vouchers were issued to replace all units because the vouchers were intended not just to help specific residents whose units had been eliminated, but also to compensate the community for the loss of affordable housing resources.[6]

Beginning in 2006, however, it appears that HUD began providing vouchers only for units under lease. This major policy change was tucked into a paragraph on fees for tenant protection vouchers in the January 2006 notice informing housing agencies of how HUD will implement the

[5] In fiscal year 2006, HUD awarded 23,099 new tenant protection vouchers (see 71 Federal Register 77,778, Dec. 27, 2006), at least 3,400 fewer than in each of the previous three years. (In 2005, HUD awarded 26,540 new tenant protection vouchers. See 70 Federal Register 71,548 (November 29, 2005). In 2004, HUD awarded 29,296 new tenant protection vouchers. See 71 Federal Register 17,478 (April 6, 2006). In 2003, HUD awarded 26,787 new tenant protection vouchers. See 69 Federal Register 7,782 (February 19, 2004).)

[6] HUD's policy to award vouchers for the full number of subsidized units lost is contained in Notices PIH 2005-15 (April 26, 2005) and 2004-4 (March 29, 2004) (for public housing) and PIH 2001-41 (for conversion of privately-owned units). In the latter notice at pages 9 - 10, HUD states: "When HUD provides vouchers to a PHA as the result of a housing conversion action, HUD will offer housing choice voucher funding on a one-for-one replacement basis to make up for the loss of the affordable housing units in the community, subject to the availability of appropriations."

voucher funding provisions of the 2006 appropriations act. As a result of this change, communities where some units in a subsidized building are vacant at the time the subsidies are ended would permanently have fewer subsidies available to help low-income people afford housing – even though there are long waiting lists for housing assistance.

Adopting proposed language included in the Administration's 2007 budget, the House passed a 2007 appropriations bill containing a provision directing HUD to continue the policy of providing tenant protection vouchers only for occupied units. The fiscal year 2007 funding resolution rejected that provision, but would still allow HUD to continue its policy if it chose to do so. As a result, without a clear statutory directive like that contained in SEVRA, HUD could continue to chip away at the number of housing subsidies available around the nation.

Determining Tenants' Rent Payments

SEVRA would significantly streamline the rules that determine the amount voucher holders and public and assisted housing tenants are required to contribute toward their rent each month. As a result, it would reduce the burdens rent determinations place on housing agencies, property owners and tenants. The changes would also reduce the likelihood of errors in rent determinations and strengthen incentives for tenants to work.

SEVRA would achieve these gains while retaining the most important strengths of the current system. Most significantly, tenants would still be required to pay 30 percent of their income, minus certain deductions, toward their rent. This tested formula offers the most efficient way to allocate rent subsidies among families. It provides larger subsidies to families who have little income and thus need substantial help to cover the rent, such as minimum-wage workers and poor elderly people and people with disabilities, and smaller subsidies to families with somewhat higher income and less need. In addition, having a standard set of rent rules across programs and housing agencies protects tenants who move from one jurisdiction to another and owners who operate across local boundaries or under multiple programs from having to negotiate an unwieldy patchwork of local rules.

One set of changes in SEVRA would replace the complex work incentives in place under current law with a single, simple earnings incentive. Two provisions of current law that are intended to encourage work and support working families increase agencies' administrative burdens and are administered inconsistently by agencies: (1) an itemized deduction for a family's actual child care expenses, and (2) a "disregard" of *increases* in earned income for certain voucher holders with disabilities and public housing tenants who have recently been unemployed or on welfare. SEVRA would replace both of these provisions with a simple deduction of 10 percent of earned income for *all* employed tenants, up to $10,000 per household.

The SEVRA earnings deduction would help compensate for a family's child care, transportation, and other work-related expenses and provide incentives for work, without the administrative complexity created by the current deductions. It also would be fairer than the current income disregard because it would apply whether a worker has just begun working or has succeeded in holding a job. Research indicates that while most non-elderly, non-disabled housing assistance tenants work, many have difficulty retaining jobs or increasing income over time. It is appropriate

to structure earnings incentives to encourage job retention and advancement in addition to a tenant's initial move off welfare into the workforce.

SEVRA would also streamline deductions for elderly and disabled households. Currently, these households can deduct medical expenses exceeding 3 percent of their income. Housing agencies frequently state that the deduction is difficult to administer, since they must collect and verify receipts for all medical expenses. It also imposes significant burdens on elderly people and people with disabilities, who must compile and submit receipts that may contain highly personal information. In part because of the effort it requires from both agencies and recipients of assistance, a significant number of households eligible for the deduction do not receive it.

SEVRA would increase the threshold for medical and disability assistance deductions from 3 percent of annual income to 10 percent. That would reduce the number of people eligible for the deduction — and therefore the number of itemized deductions that would need to be verified — by about half, according to the Congressional Budget Office, while still providing some relief for tenants with extremely high medical or disability assistance bills. To offset the resulting increases in rents for some households, SEVRA would substantially increase the easy-to-administer standard deduction for the elderly and people with disabilities, from $400 to $725 per household, and index it for inflation.

In addition, SEVRA contains a number of measures that would simplify the process of determining rent. Housing agencies would be required to review tenants' incomes far less frequently than under current law. In addition, agencies would calculate the rents owed by working families based on income during the prior year, rather than using current or anticipated income as is now the case. This would simplify administration by allowing agencies to use tax forms and other year-end documents to verify incomes. It would also provide an incentive for earnings growth, since an increase in earnings would not result in an increase in rents until the end of the year. Other changes would make it easier for housing agencies to verify the income of tenants.

Overall, CBO estimates that SEVRA will modestly reduce tenant rent payments, because the magnitude of the changes that reduce rents will exceed the increases from other changes. Some individual tenants will pay more rent than they would under current law. In most cases, however, the changes will be fairly small.

One group that could face particularly large rent increases will be tenants that now receive substantial deductions for unreimbursed child care expenditures. If SEVRA becomes law, it will be important that housing agencies provide these households with adequate notice of the change in rent rules, and refer them to any organizations that potentially could provide them with child care assistance. Households with substantial unreimbursed medical expenses will generally experience relatively small rent increases as a result of the change in the medical deduction, but they nonetheless would benefit from advance notice and referrals to providers of Medicare Part D and other health benefits. *In its report on SEVRA, the committee should instruct HUD to require housing agencies to implement notice and referral policies for these groups.*

It is important that Congress be sensitive to the impact of changes in the rent rules on housing agencies that administer public housing. For the last five years, Congress has provided substantially less funding for public housing operating subsidies than is needed to make up the gap between rent revenues and the cost of operating public housing. This has forced many housing agencies to scale

back spending on maintenance and services, increase fees and utility charges for tenants, and take other measures that harm needy families. If SEVRA reduced rent revenues without offsetting reductions in housing agencies costs, it could force housing agencies to make further cuts that would impose additional hardships on low-income families.

It appears that SEVRA will reduce rent revenues in public housing to some degree. Fortunately however, by streamlining rent rules SEVRA will also result in large reductions in administrative costs. For example, SEVRA will reduce by roughly a third the frequency with which housing agencies are required to review tenant incomes — one of the most time consuming administrative tasks for which housing agencies are responsible. *Overall, SEVRA will likely reduce public housing administrative costs by at least $50 million.* These savings are likely to offset most of the revenue loss from the rent policy changes in SEVRA. If on further analysis, however, SEVRA is estimated to result in a loss of rent revenues in public housing that significantly exceeds the likely administrative savings, the bill's provisions should be adjusted to reduce the loss of revenues. Given the magnitude of the likely administrative savings, however, any such adjustments should be relatively minor.

Even if the changes in SEVRA are neutral for the public housing program as a whole, individual agencies could have lower (or higher) revenues due to their particular tenant demographics. The bill should include a directive to HUD to adjust the rent revenue base that is used to determine each agency's eligibility for operating subsidy in light of the SEVRA changes.

Income and Asset Limits

SEVRA would end housing assistance eligibility for two relatively small groups of tenants. First, it generally would ban households with incomes above 80 percent of the local area median income from participating in the voucher program or project-based Section 8. Currently, households cannot be admitted to housing assistance programs if their incomes exceed 80 percent of the median income, but under some circumstances households whose incomes later rise above the limit can continue to receive assistance.[7] Second, SEVRA would make tenants with more than $100,000 in assets or any equity in real property ineligible for housing assistance. Currently there is no limit on the amount of assets a housing assistance recipient can have, although earnings from assets are counted as income and therefore increase the amount of rent a tenant is required to pay.

Such limits present difficult tradeoffs. On the one hand, they serve to redirect badly needed housing assistance away from households with significant incomes or assets, to households with more limited means. On the other hand, the limits will disrupt the lives of the affected households, increase program costs (because the households that lose assistance will generally pay more rent and require less in subsidy than the lower-income households that replace them), and in many cases deprive assisted housing developments of long-time tenants who serve as community leaders.

The asset and income limits provisions in the discussion draft are significantly fairer and less punitive that the provisions in H.R. 5443 from the last Congress. Unlike H.R. 5443, the new version of SEVRA would give housing agencies the option not to enforce the income and asset limits in

[7] HUD regulations include an exception to the usual voucher program income eligibility rules for moderate income households who are displaced by prepayment or termination of a federally-assisted mortgage or insurance contract. See 24 C.F.R. §982.201(b)(5). The discussion draft includes an important modification of H.R. 5443 that would preserve eligibility for these families.

public housing. This flexibility is in keeping with a series of Congressional actions over the years designed to promote income diversity in public housing. The new version of SEVRA also places several important new limits on the asset test. For example, it exempts retirement accounts from the limit, and provides that domestic violence victims can not lose assistance because the have an ownership interest in a property in which they cannot safely live.

We recommend one additional change, to make it explicit that housing agencies may delay the termination of over-income voucher holders for up to six months. As now drafted, the bill would allow housing agencies and owners to delay for six months *evictions* of housing assistance recipients who exceed the income and asset limits, but is silent regarding terminations of voucher assistance. Housing agencies should be given similar flexibility in the voucher program. Poor families tend to experience a great deal of income volatility, so it would not be uncommon for a family to have a temporary income increase that would make it ineligible only to see its income quickly drop back to an extremely low level. A voucher can provide an important safety net in this situation, and housing agencies should have the option to temporarily keep the voucher in place. This would be consistent with current voucher regulations, which allow subsidy contracts to remain in place for six months after a household's income rises to a level where the amount of the voucher subsidy falls to zero.

Income Targeting

Currently, at least 75 percent of the new households admitted to the voucher program each year must have incomes at or below 30 percent of the area median income at the time they are admitted to the program. (This requirement does not restrict a household's income *after* it is admitted to the program.) Congress instituted this policy because households with incomes below 30 percent of area median income — which nationally is roughly equivalent to the poverty line — are much more likely to have a severe need for housing assistance than those at higher income levels.

In areas with unusually low median incomes, this requirement prevents agencies from serving certain needy families, including some low-wage working families. SEVRA would address this issue by revising the targeting requirement to the higher of (a) 30 percent of the local median income *or* (b) the federal poverty line. This change would give agencies in the lowest-income areas added flexibility to serve low-wage working families while maintaining the voucher program's emphasis on housing assistance for those most in need. For administrative simplicity, it would make sense to apply the same targeting measure to the public housing program.

Housing Quality Inspections

The voucher program requires that housing agencies inspect apartments where a voucher holder will live before any payment is made to the landlord, and each year thereafter, in order to certify that the apartment meets certain minimum federal quality standards. This requirement ensures that voucher holders do not live in substandard housing. It also gives landlords an incentive to make repairs.

SEVRA would maintain the core requirement that every apartment where a voucher holder lives be inspected regularly, but would give agencies several options intended to ease their administrative burdens and encourage landlords to make apartments available to voucher holders. Most significantly, inspections would be required every two years rather than annually. In addition, the

bill would allow an initial subsidy payment to the owner even if a unit does not pass the initial inspection, as long as the failure resulted from "non-life threatening conditions." Defects would have to be corrected within 30 days of initial occupancy for the owner to receive continued payments.

The changes would significantly reduce burdens on housing agencies and owners, without significantly weakening the requirement that vouchers be used only to rent decent quality housing.

Suggested Additions and Changes

I will now turn to discussing five areas in which SEVRA could be improved, enabling the bill to further strengthen the voucher program.

Removing Administrative Barriers to Portability

The option to a move to a community of one's choice, referred to as "portability," is a hallmark of the Section 8 Housing Choice Voucher Program. Portability can enable a worker to move to be near a job in another community, a domestic violence victim to flee an abuser, or an elderly person or person with a disability to move closer to family or a needed caregiver. In practice, however, many households who wish to use their vouchers to move are not able to do so. This is largely because portability can impose financial and administrative burdens on housing agencies. These burdens deter agencies from making the portability option easily available to voucher holders.

Under current rules, if a household moves from the jurisdiction of one agency to the jurisdiction of another, the cost of the voucher is covered by the housing agency that first issued it, unless the housing agency in the jurisdiction to which the household moves agrees to "absorb" the voucher. Destination agencies frequently opt not to absorb vouchers, in part because in recent years they have not received any additional funds to cover the resulting costs.

When "ported" vouchers are not absorbed, the two agencies have to engage in a cumbersome billing process, in which the destination agency administers the voucher and then is paid for doing so by the issuing agency. The issuing agency must both take on the administrative burden of a billing arrangement (for only 20 percent of the usual fee), and use scarce voucher funds to assist a family living outside its area. As a result, issuing agencies have had a strong incentive to discourage households from exercising the portability option.

As it is currently drafted, SEVRA would significantly reduce the financial barriers to portability. Destination agencies would have a greater incentive to absorb vouchers, because the SEVRA funding formula would provide additional administrative and subsidy funds directly to absorbing agencies. But for various reasons, some destination agencies may still opt not to absorb portability vouchers. In such cases, issuing agencies will still be forced to undertake a billing arrangement, although they are likely under the revised funding policy to receive supplemental funding if the cost of ported vouchers exceeds the agency's usual voucher cost. As a result, some issuing agencies will still seek do deter portability in order to simplify administration of their programs and maximize assistance to families that remain in their jurisdiction.

Congress could eliminate the needless complexity of the portability process by requiring destination agencies to absorb vouchers. (If the appropriations acts retain a prohibition on exceeding the authorized number of vouchers, agencies at or near their authorized limit could be exempted from this requirement.) The receiving agency would be able in the initial period to draw additional funds, if needed, to cover the cost of the voucher, so it would not face a trade-off between serving its current families and waiting list and providing assistance to families moving to the area through portability. Issuing agencies would have funds freed up to serve a new family from the waiting list.

Project-Based Vouchers

In the FY 2001 VA-HUD Appropriations Act, Congress substantially revised the authority for state and local housing agencies to use voucher monies to enter into contracts for project-based assistance. Regulations implementing the program were finalized in October 2005. Though the final regulations addressed many of the challenges encountered during the initial years of operation under the revised statute, lingering obstacles inhibit the ability of PHAs and their private-sector partners to use the program to achieve the statutory goals of "deconcentrating poverty and expanding housing and economic opportunities."

A broad-based group of advocates, housing agencies, non-profit and for-profit developers, and other groups has proposed a set of 9 recommendations, in addition to the amendments in section 11 of the discussion draft, designed to make it easier to use the project-based voucher option to meet a range of housing goals. We strongly encourage the committee to include all of these provisions in SEVRA.

- Improve coordination with the Low Income Housing Tax Credit program and ensure longer-term affordability by changing the maximum initial contract term from 10 years to 15 years (the initial tax credit affordability term) and clarifying that PHAs and owners may commit in advance to offered extensions of the initial contract term.

- Increase the percentage of voucher funds that a housing agency can use for project-basing from 20 percent to 25 percent, plus an additional 5 percent for units housing homeless individuals and families.

- Make an existing rule limiting the share of project-based vouchers in a building to 25 percent more flexible, including by allowing housing agencies in tight markets to use project-based vouchers in up to 50 percent of units in a project.

- Allow project-based vouchers to be used in co-ops or high-rise elevator buildings.

- Facilitate the renewal of expiring contracts under the "project-based certificate program," a precursor to the project-based voucher option, as project-based vouchers.

- Streamline requirements for environmental reviews of developments with project-based vouchers, and for "subsidy layering" reviews to determine that projects assisted through multiple housing programs do not receive excessive subsidies.

- Override an unnecessarily restrictive HUD policy requiring that housing agencies use a HUD form for project-based voucher contracts, even if an alternative format would meet all other program requirements and better serve local needs.

- Allow owners to manage the waiting list, subject to PHA oversight and responsibility, rather than requiring owners to select tenants from a central housing agency waiting list;

- Allow project-based vouchers to be used as an alternative to tenant-based enhanced vouchers, as part of efforts to keep privately-owned assisted housing affordable in cases when the subsidy previously in place is ended.

Restoring Affordable Rents in the Housing Voucher Program

In recent years, as PHAs have reduced or constrained increases in voucher payment standards to cope with funding cuts, rent and utility cost burdens of families in the voucher program appear to have grown considerably. In 2000, families in the voucher program on average paid 33 percent of their adjusted income for rent and utility costs.[8] Anecdotal reports indicate that at some agencies rent burdens have increased dramatically, with half or more of families *paying more than half their income for rent.* (HUD may have more recent data on rent burdens, which could be requested.) In addition, there are numerous reports that limitations on voucher payment standards have reduced the effectiveness of the voucher program in expanding families' access to neighborhoods throughout metropolitan areas, including areas with better schools and job opportunities.

People with disabilities experience these same problems, with an additional twist. HUD's regulations now permit housing agencies, with HUD approval, to provide somewhat higher subsidy levels to voucher holders who have disabilities and need a more costly apartment as a reasonable accommodation. (See 24 C.F.R. 982.503(c)(ii).) This positive policy, however, is undermined by the administrative hoops HUD requires agencies to go through to get approval *of each request on behalf of a particular individual.*

Finally, because of an unintended interaction between the statutes governing the low-income housing tax credit and voucher programs, owners under some circumstances are allowed to set rents for tax credit units rented to voucher holders above both the voucher payment standard and the maximum tax credit rent. The effect of this practice is that tenants may be charged far more than 30 percent of their income for rent, even though they have a voucher and are living in a subsidized, "affordable" housing unit.

These three related problems could be addressed through the following statutory changes:

- To ensure that program stakeholders have access to timely and relevant information concerning rent burdens during the annual review of agency payment standards required by the PHA Plan process, amend Section 8(o)(1)(E) to require PHAs (as well as HUD) to report on rent burdens. PHAs already report to HUD all the information required for such a report. If HUD's data system does not now generate a rent burden report for PHAs on request, HUD could be directed to add such capacity to its system, so that this obligation will not entail additional work

[8] Devine et al., *Housing Choice Voucher Location Patterns,* HUD, August 2002, p. 96.

for PHAs. In addition, this provision should be amended to require HUD to monitor the extent to which families cluster in particular communities within metropolitan areas, and to analyze whether greater geographic mobility could be achieved by higher payment standards.

- Require PHAs to adjust payment standards within the "basic range" (up to 110 percent of Fair Market Rent) in the amount needed, in the judgment of the PHA, to bring rent burdens below the "significant" level (as defined by current regulations) within a one-year time period, to the extent the PHA has funds available to make the change. If a PHA lacks sufficient funds, it should be required to develop and implement a plan to accomplish this goal in a timely fashion without terminating assistance to participating families.

- Require HUD to approve a PHA's request to increase its payment standard above 110 percent of the fair market rent if such an increase is needed to enable the PHA to meet the statutory standard.

- Give PHAs the authority, without having to seek HUD approval, to increase the payment standard as a reasonable accommodation to persons with disabilities.

- Prohibit housing agencies from approving voucher contracts for tax credit units when the rent exceeds *both* the rent charged for other LIHTC units (not occupied by tenant-based voucher holders) and the housing agency's voucher payment standard.

Use of Vouchers in Manufactured Housing

In some areas of the country, many low-income elderly people and families obtain shelter by making monthly payments on a loan to purchase a mobile home (which is a consumer loan, not a mortgage) and renting lot space in a mobile home park. Prior to the passage of the Quality Housing and Work Responsibility Act (QHWRA) in 1998, vouchers could be used to subsidize housing costs for such families, if they otherwise qualified for the program. QHWRA, however, prohibited use of vouchers to cover loan payment in these situations.

As a result, HUD limited the Fair Market Rent (FMR) for space rentals to 40 percent of the usual FMR. In effect, this change limits the flexibility of the voucher program, particularly in rural areas where there may be few traditional rental properties. Because this policy existed pre-QHWRA, there is no need to establish a pilot program, as the committee-approved version of the Sanders amendment to H.R. 5443 would have done. This change can be made simply and briefly, by defining rent to include all the monthly costs of leasing-to-purchase a mobile home (including loan payments, property taxes and insurance in addition utilities and the lot rent) and then determining the amount of the voucher payment just like in other cases. HUD would no longer have to issue separate FMRs for space rentals.

Performance Assessment

While not required by statute, the housing voucher program has in place a performance assessment process – the Section 8 Management Assessment Program, or SEMAP -- that effectively measures whether housing agencies are in compliance with program requirements. Unfortunately, the discussion draft includes a new statutory section that potentially could weaken the current

SEMAP performance assessment system, by allowing HUD to eliminate a number of key measures and conduct assessments only every few years (instead of annually, as is now the case). Any performance measurement system enacted by SEVRA should continue to require annual assessment. In addition, it should include at least the following required criteria measures:

- Percentage of authorized vouchers in use or committed for project-based voucher contracts;
- Payment of correct amount of subsidy, including the measurement of underpayments and overpayments;
- Reasonableness of rent burdens;
- Timeliness in making voucher payments, inspecting units, and acting on requests for approval of new tenancies and of rent changes;
- Use of vouchers in census tracts with low poverty, low rates of crime, and high-performing public schools;
- For agencies in metropolitan areas, coordination with other agencies to facilitate housing choice throughout the metropolitan area; and
- Enrollment rate of completion of families in the Family Self-Sufficiency program, including a bonus for public housing agencies that serve more than the required number of families.

Any Expansion of "Moving to Work" Waiver Authority Should Be Subject to Careful Limits

Last, I would urge the committee to exercise caution in another area, the expansion of the Moving-to-Work demonstration. Established as a demonstration by Congress in 1996, MTW permits HUD to grant agencies broad waivers that allow agencies to experiment with different rent rules, time limits on assistance, and other housing policies.[9] MTW also allows HUD to grant waivers that authorize agencies to operate under very few federal rules — with deregulation, rather than tenant self-sufficiency, as an end in itself. For example, under MTW, HUD may allow agencies to blend their public housing and voucher funds and to divert a portion of voucher funds (which otherwise would go to help low-income families rent housing) to meet an agency's administrative costs or to provide *non*-housing services.

The 1996 law authorized HUD to provide waivers to 30 agencies; because waivers for some agencies have expired, 24 housing agencies are currently participating in MTW.[10] The version of SEVRA considered in the last Congress would have made MTW a permanent component of the Housing Act with fairly minor changes in program rules, and would authorize HUD to expand the number of participating agencies to 40.

Expanding MTW in this manner, without subjecting it to additional limitations, would risk significant harm to voucher holders and public housing tenants, and would be unlikely to result in significant benefits. MTW allows sweeping waivers of many federal rules that provide basic

[9] Unlike some other federal agencies, HUD has no other authority to waive statutory provisions.

[10] HUD has not increased the number of participating agencies back to the maximum of 30 by providing MTW waivers to new agencies when the waivers of agencies previously participating expired. This appears to be because HUD interprets the language of the 1996 MTW authorization as prohibiting the selection of replacement agencies. The application of the Charlotte (N.C.) Housing Authority to participate in MTW is "in negotiation." Some years ago Congress instructed HUD to admit Charlotte to the program.

protection for tenants and ensure that funds are used for the purposes intended by Congress. The demonstration offers little guarantee that housing agencies will be accountable for the policies they adopt, or even required to disclose to the public how they have used their flexibility under the demonstration.

Moreover, MTW has not been structured in a manner that allows rigorous evaluation. As a result, it has produced a wealth of anecdotal reports but few hard findings of the type generated by other HUD-sponsored evaluations, including Moving-to-Opportunity and Jobs Plus. This omission has meant that the vast majority of housing agencies and the millions of families they serve cannot benefit from any lessons learned from the experimentation allowed to a few.

The Committee should not to add a Moving-to-Work expansion to SEVRA *unless* it greatly strengthens protections for tenants and accountability for agencies. Any expansion should also be designed in a manner that allows rigorous, experimental evaluation of specific policies identified by Congress. Finally, it is important that the number of agencies added to the demonstration be small, since it will be difficult to provide for adequate monitoring and evaluation if the size of the demonstration is expanded sharply.

CONSORTIUM FOR CITIZENS
WITH DISABILITIES

STATEMENT OF ANDREW SPERLING, DIRECTOR OF LEGISLATIVE ADVOCACY, NATIONAL ALLIANCE ON MENTAL ILLNESS ON BEHALF OF THE CONSORTIUM FOR CITIZENS WITH DISABILITIES HOUSING TASK FORCE ON THE SECTION 8 VOUCHER REFORM ACT

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY COMMITTEE ON FINANCIAL SERVICES U.S. HOUSE OF REPRESENTATIVES

MARCH 9, 2007

Chairwoman Waters, Representative Biggert and members of the Subcommittee, I am Andrew Sperling. I am here today presenting this statement on behalf of the Consortium for Citizens With Disabilities (CCD) Housing Task Force The CCD Housing Task Force is a coalition of national organizations representing people with disabilities, their family members, providers of housing and supportive services and advocates. Among the groups that are part of the CCD Housing Task Force are Easter Seals, the United Spinal Association, United Cerebral Palsy, the National Multiple Sclerosis Society, the National Disability Rights Network, Paralyzed Veterans of America, the American Network of Community Options and Resources, Mental Health America, the National Alliance on Mental Illness, The Arc, and Lutheran Services in America.

<u>Non-Elderly People With Disabilities Are Priced Out of the Rental Housing Market</u>

People with disabilities have the highest level unmet need for housing assistance of any group eligible for federally subsidized housing assistance. A new Technical Assistance Collaborative (TAC/CCD Housing Task Force study – *Priced Out in 2006* – documents the alarming housing crisis experienced by extremely low income people with disabilities who need assistance from the Housing Choice Voucher program. The study compares HUD Fair Market rents for modest housing to the monthly Supplemental Security Income (SSI) received by people with the most serious and long-term disabilities in 2006. Among the key findings are the following:

- In 2006, SSI recipients needed to pay more than their entire monthly income to rent a modest one bedroom or efficiency/studio unit;
- In 2006, modest one bedroom units cost 113 percent of SSI monthly income and studio units cost 101 percent of SSI;

- The 3+ million people with disabilities between age 18-62 who received SSI payments averaging $632 per month (the national average monthly SSI payment in 2006 was $632 – a calculation which includes state SSI supplements provided to all people with disabilities living independently) or $7,584 per year – had incomes equal to only 18.19 percent of the national median income for a one-person household;
- Since the first *Priced Out* study was published in 1998, the housing affordability "gap" for people with disabilities has almost doubled. In 1998, people receiving SSI needed to pay 69 percent of their income for a one bedroom unit compared to the 113 percent of SSI required for a one bedroom unit in 2006;
- Since 1998, modest rents have continued to increase at double the rate of SSI cost of living increases.

The Importance of Section 8 to Non-Elderly People With Disabilities

During recent years, the Section 8 Housing Choice Voucher program has been the primary resource – and sometimes the only resource – available to begin to address the housing needs of people with disabilities in local communities. The CCD Housing Task Force believes that Congress should continue to have the responsibility to protect people with disabilities who receive Section 8 vouchers or who need Section 8 assistance. Section 8 is literally a "lifeline" for people with disabilities who want to live normal lives in the community but cannot afford the cost of even modest rental housing. HUD data reveal that in most agencies, as many 20% of households receiving Section 8 are headed by individuals with disabilities. This means that as many as 300,000 to 400,000 of the estimated 2 million tenant-based vouchers currently in use are being utilized by people with disabilities to access affordable rental housing. This far outstrips other HUD programs that are specifically targeted to people with disabilities such as Section 811 and the permanent housing programs under McKinney-Vento.

The Disability Community Supports SEVRA

The CCD Housing Task Force would like to express support for the current draft of the SEVRA legislation. In our view, this legislation would make a number of important changes to make the Housing Choice Voucher program more responsive to the affordable rental housing needs of non-elderly people with disabilities.

1) SEVRA would establish a more efficient voucher funding policy
SEVRA's most important change would be to establish a new formula for distributing voucher renewal funds to state and local housing agencies. Since 2004, funds have been provided under a series of flawed formulas that have given some agencies less funding than they need to cover the costs of their vouchers — forcing them to cut back on assistance to needy families — while providing other agencies with more funds than they can use. SEVRA would replace this flawed formula with one that would match funding more closely to an agency's actual needs and reward agencies that use more of their voucher funds. That would encourage housing agencies to put more vouchers into use, while at the same time ending the waste that occurs under the current system.

CCD is extremely pleased that the FY 2007 continuing funding legislation that cleared Congress last month largely adopts the renewal formula in SEVRA. This is a major step in addressing the inefficiencies in the Section 8 rental voucher funding formula that has been used over the past three years. This new formula (based on 12 months of cost experience) will replace one that was based on outdated information that has resulted in the net loss of as many as 150,000 vouchers since 2004, basing funding closer to actual rental costs and leasing rates.

2) SEVRA helps streamline the rules for determining tenants' rent payments
As you know, tenants in HUD's rental assistance programs are required to pay 30 percent of their income for rent, after certain deductions are applied. SEVRA would streamline several aspects of the process for determining tenants' incomes and deductions in order to reduce administrative burdens on housing agencies and private owners of subsidized housing.

Most importantly, SEVRA also would allow housing agencies to review the incomes of tenants with disabilities living on fixed incomes (such as SSDI and SSI cash benefits) every three years, instead of every year and to assume that in the intervening two years, the tenant's income rose at the rate of inflation (which is used to make annual cost-of-living adjustments to many fixed-income benefits).

In addition, SEVRA also makes a number of important changes in rent calculations to that will allow people with disabilities with the lowest incomes some modest relief in their rent burden and provide them some help in meeting basic living expenses. These include statutory changes to earned income disregard and standard deductions for people with disabilities and seniors. These changes will continue to provide incentives to help people with disabilities achieve (and more importantly maintain) employment. SEVRA would also require agencies to base rents of working people with disabilities on actual earnings in the previous year rather than on anticipated earnings in the coming year, which would minimize the need for subsequent mid-year adjustments in rents. CCD looks forward to working with the Subcommittee to ensure that any changes made by SEVRA to rent calculations or earned income disregards do not inadvertently create a disincentive to employment for people with disabilities.

Finally, to reduce administrative burdens, as well as improve the effectiveness of the voucher program for people with disabilities, CCD recommends that PHAs be granted the authority, without having to seek HUD approval, to increase the payment standard as a reasonable accommodation to persons with disabilities. The proposed language is taken from the 2002 Sarbanes voucher reform bill, and is consistent with previous HUD Section 8 Certificate and Voucher Program policy that was in place from 1976-1998. Specifically, such authority would allow PHAs to approve exception rents for people with disabilities up to 120% of the payment standard as opposed to the 110% in place now (under the old certificate program it was 120%, but was changed by HUD to 110% in 1999).

3) SEVRA creates greater flexibility for agencies while maintaining targeting to extremely low-income households

Currently, a housing agency must allocate 75 percent of the vouchers it issues each year to households with incomes at or below 30 percent of the area median income (AMI). In areas with unusually low median incomes, this requirement prevents agencies from serving certain needy families, including some low-wage working families. SEVRA would address this issue by requiring agencies to issue 75 percent of their vouchers each year to households with incomes at or below (a) 30 percent of the local median income *or* (b) the federal poverty line, whichever is higher. This would give added flexibility to agencies in the lowest-income areas while maintaining the program's emphasis on assisting the families most in need.

More importantly, SEVRA keeps in place a basic principle of current law with respect to the Housing Choice Voucher program – targeting to extremely low-income households. This is a critical element of the voucher program for the disability community. ELI targeting ensures that non-elderly people with disabilities living on SSI are able to effectively access the voucher program. Over the past two decades, we have seen other affordable housing resources – especially public and assisted housing increasingly adopt targeting and occupancy rules that disfavor people with disabilities. This has occurred as a result of "elderly only" housing policies and enhanced flexibility for PHAs and private owners. As a result, Section 8 has become one of the few remaining resources that can serve individuals living on SSI (as noted above, these individuals are at an average of 18.19 percent area median income).

Loosening of overall income targeting rules would be a disaster for people with disabilities. The State of the Nation's Housing 2006 report by the Joint Center at Harvard University makes it clear that people with disabilities are twice as likely to have incomes below 30 percent of AMI than other households. According to the 2005 American Community Survey, they are also disproportionately rent-burdened. For example, 51% of single person renter households with disabilities below 30 percent of AMI are rent burdened. The CCD Housing Task Force strongly supports maintaining the current extremely low income household targeting requirements as a mechanism to ensure that the lowest income people with disabilities have as much access as possible to available Housing Choice Vouchers

The Disability Community Opposes Massive Expansion of Moving To Work

The CCD Housing Task Force is especially concerned that SEVRA not be used as an opportunity for expansion of the Moving to Work program. As you know, the MTW program began as a public housing demonstration program in 1996. Approximately 25 of the 30 public housing agencies (PHAs) selected by HUD to participate in MTW still have active demonstration programs. HUD's January 2004 evaluation of MTW found that the demonstration was not designed as a rigorous research demonstration with clearly defined changes to be evaluated or a set of controls for the comparison of outcomes. The disability community is concerned that expansion of MTW would endanger a range of protections that currently exist in Section 8 and allow agencies to use their discretion to:

- Separate of rents from incomes, leaving open the likelihood that rents could be raised far above what residents with extremely low incomes can afford (people with disabilities living on Supplemental Security Income – SSI).

- Shift scarce housing resources away from residents with the lowest incomes, who have the greatest housing needs.
- Impose time limits on housing assistance.
- Allow agencies to impose higher minimum rents and work requirements.

We at CCD are especially concerned that this increased flexibility would also allow public housing agencies to disregard their statutory requirements in order to cope with continued funding cuts. Further, neither HUD nor any reputable independent research organization, has yet to undertake the research, accountability and tracking needed to reach definitive conclusions as to whether or not MTW has achieved any recognized outcomes. What is clear is that current residents, particularly extremely low-income individuals (including people with severe disabilities) in need of affordable housing, must be protected from MTW's worst outcomes, including shifting scarce resources to higher income groups, implementing unaffordable rents and requiring draconian time limits and work requirements.

Project-Based Voucher Reforms

In 2001, Congress substantially revised the authority for housing agencies to use voucher funds to enter into contracts for project-based rental assistance. It was not until October 2005 that HUD finalized the regulations implementing the program. Though the final regulations addressed many of the challenges encountered during the initial years of operation under the revised statute, lingering obstacles still inhibit the ability of agencies to partner with private-sector partners to promote development of effective models such as permanent supportive housing targeted to people with disabilities.

The CCD Housing Task Force supports the Velazquez Amendment that was added to HR 5443 last year, as well as language in the current draft of SEVRA that would give PHAs flexibility in setting rents for units receiving project-based voucher assistance, including for units also benefiting from the Low Income Housing Tax Credit (LIHTC) assistance. In addition, CCD urges this Subcommittee to consider additional improvements that would allow for:

- Better coordination with other federal housing programs;
- Meet the accessibility and/or service needs of people with disabilities and individuals that have experienced chronic homelessness for whom tenant-based vouchers may fall short; and
- Strengthen partnerships between PHAs and private-sector housing providers.

HUD Must Ensure Accountability For Vouchers Targeted to People With Disabilities

Over the past decade, Congress has set aside two major allocations of tenant-based rental assistance for non-elderly people with disabilities. First are the so-called "Frelinghuysen" vouchers for non-elderly people with disabilities in communities where public and assisted housing has been designated as "elderly only". There were approximately 50,000 of these vouchers allocated by Congress between 1997 and 2001. Second is the Mainstream Housing Opportunities for Persons with Disabilities tenant-based assistance program that is funded and renewed through the Section 811 Supportive Housing for Persons with Disabilities program. There are approximately 14,000 of these vouchers that were awarded to PHAs and non-profit organizations.

In recent years, CCD has become increasingly concerned that HUD has exercised little oversight over how PHAs are administering these vouchers to ensure that they remain available as Congress intended only for the targeted population – non-elderly people with disabilities. It was not until February 2005 that HUD issued guidance to PHAs detailing their ongoing obligation to ensure that these vouchers remain targeted upon turnover to the population Congress intended. This is especially troubling in the case of Mainstream tenant-based vouchers funded from Section 811 since the renewal burden –now over $80 million – consumes more than 30 percent of the entire Section 811 appropriation for 2007. More troubling is the fact that the proposed 50% cut in the President's FY 2008 budget for Section 811 – if enacted – would mean that these 14,000 Mainstream vouchers would absorb more than 75 percent of the entire Section 811 budget.

Madam Chair, the CCD Housing Task Force looks forward to the opportunity to work with you to ensure that HUD's follows up on this 2005 guidance to PHAs and increases oversight and compliance with housing agencies regarding their obligations to target these resources to the population Congress intended.

Conclusion

Madam Chair and Members of the Subcommittee, thank you for this opportunity to testify on behalf of the CCD Housing Task Force. The Housing Choice Voucher program is extremely important to people with disabilities, including the 3+ million people with serious and long term disabilities who rely on the federal SSI program for all their basic needs. The SEVRA legislation is an important step … We look forward to working with you on this critical legislation.

American Network of Community Options and Resources
American Association on Intellectual and Developmental Disabilities
Association of University Centers on Disabilities
Bazelon Center for Mental Health Law
Easter Seals
Lutheran Services in America
Mental Health America
National Alliance on Mental Illness
National Association of State Mental Health Program Directors
National Disability Rights Network
The Arc of the United States
United Cerebral Palsy
United Spinal Association

Philip Tegeler
Executive Director
Poverty & Race Research Action Council
Washington, DC

March 9, 2007

Testimony of Philip Tegeler
Executive Director of the
Poverty & Race Research Action Council
presented to the
Housing and Community Opportunity Subcommittee
Financial Services Committee
United States House of Representatives
March 9, 2007

Thank you for the opportunity to testify today about the proposed Section 8 Voucher Reform Act. I am Philip Tegeler, Executive Director of the Poverty & Race Research Action Council (PRRAC), a civil rights policy organization based in Washington, D.C. Our primary mission is to help connect advocates with social scientists working on race and poverty issues, and to promote a research-based advocacy strategy on structural inequality issues. At the present time, PRRAC is pursuing work in the areas of housing, education, and health, focusing on the importance of "place" and the continuing consequences of historical patterns of housing segregation and development for low income families in the areas of health, education, employment, and incarceration.

For the past several years, we have been working with civil rights and fair housing advocates from across the country to call for reinstatement of the rights to housing choice and housing mobility that have long been a hallmark of the Section 8 program, but which have been undermined by changes in HUD policy and the Section 8 funding formula. Recently, along with the Lawyers Committee on Civil Rights, we prepared a consensus statement on Section 8 mobility that has been endorsed by several national civil rights organizations (including the Leadership Conference for Civil Rights), along with over 50 state and local fair housing organizations. A copy of that statement is attached and included as part of our testimony today.

We recognize the substantial improvements represented by the draft bill, especially the changes in the voucher funding formula, and the provision for reimbursing agencies for excess portability costs from reallocated voucher funds. However, we urge the Committee to go further to restore a central promise of the program, to provide meaningful housing choice for families outside of high poverty communities. To do this, a strong system of exception payment standards needs to be reinstated in the program; mobility counseling should be provided in highly segregated metropolitan regions; deconcentration of poverty should be included as a key performance measure; incentives should be considered for housing agencies that share resources and consolidate functions; and the well-known burdens of the "portability" billing system should be replaced by a simple system of mandatory absorption of vouchers, which would eliminate the bureaucratic barriers to families seeking to move across jurisdictional lines. Finally, the Committee should consider the design of the next national housing mobility program to follow the Moving to Opportunity demonstration. We recommend a phased-in, multi-metropolitan area expansion of the successful Gautreaux housing demonstration in Chicago.

Each of these points is set out in greater detail in the attached statement. Thank you again for your consideration of our comments.

The Section 8 program and access to opportunity:
An agenda for policy reform
January 2007

Racially segregated, high poverty neighborhoods are a continuing reality in many American cities. Families living in these neighborhoods often do not have access to quality jobs, high performing schools, and other important life opportunities. Federal and state housing programs have helped to create this situation, but they can also be part of the solution to change it.

The nation's largest federal housing program, the Section 8 "Housing Choice Voucher Program" has the potential to help poor families voluntarily move to lower-poverty and less-segregated areas. Unfortunately, this benefit of the voucher program is not automatic, and is highly dependent on program features that include how higher-rent areas are treated, how public housing agencies (PHAs) receive their funding, how PHAs interact with families and with each other when a voucher crosses jurisdictional lines ("portability"), and the extent to which families receive housing search assistance. Each of these program features is subject to competing political, administrative and policy demands, so housing mobility becomes simply one goal among many.

Although HUD and Congress took some promising steps during the 1990s with a series of housing mobility policies designed to help families move to lower-poverty neighborhoods, these policy interventions only lasted a few years, and in recent years we have experienced a policy retrenchment, which has restricted families' geographic choices in the voucher program, and is likely now leading to greater geographic concentration among poor Black and Latino participants in the program.[1]

The new Congress has an opportunity to undo this systematic dismantling of the Section 8 program, and to reinvigorate two of the program's original goals of housing choice and deconcentration of poverty. To accomplish this, the new Congress could take the following steps:

►Elimination of financial penalties imposed on Public Housing Agencies (PHAs) when families move from one jurisdiction to another. Currently, a "sending" PHA

1. The current Administration's cutbacks on housing mobility in the voucher program began in 2002, with the elimination of federal funding for regional housing mobility programs, and the consequent shutdown of dozens of such programs around the country. Then, in 2003, HUD began affirmatively restricting housing choice by cutting back on the use of Section 8 "exception payment standards," which permit families to move to lower-poverty areas that have higher rents. In 2004, the Administration's original Flexible Voucher proposal (successfully resisted by Congress) would also have discouraged housing mobility by changing each agency's Section 8 allocation to a single block-grant system, rather than paying each agency for all the authorized vouchers that they are able to use. But in the same way, a change in the way HUD allocates budget funds (to cover each agency's prior year expenditures) along with HUD's decision in June of 2004 to retroactively cut voucher funding in PIH Notice 2004-7 both increased incentives for PHAs to adopt policies that discourage or prohibit families from moving to higher-rent areas. These policies also led to across the board reductions in payment standards that limit choice of available neighborhoods. HUD again restricted mobility in a guidance issued in July of 2004 that seemed to allow PHAs to restrict voucher holders' portability rights, where PHAs make a showing of financial hardship (HUD retracted this ambiguous and unlawful guidance in 2006, but only after much damage had been done).

has to pay a premium to a neighboring PHA for higher rents in the receiving town, with no possibility of reimbursement from HUD. A proposal in the pending 2007 Appropriations Bill would eliminate this penalty by allowing PHAs to seek reimbursement of excess "portability" costs from HUD. It is important to incorporate this intended policy change in the 2007 funding resolution.

►Reauthorization of the system in effect prior to 2000, that permitted somewhat higher Section 8 rents in more expensive, lower-poverty areas. This system of "Exception Payment Standards" is still part of the Section 8 regulations, but, as noted above, its use was suspended unlawfully by HUD in 2003.

►Statutory changes to eliminate the complex administrative system of "portability" and replace it with a simpler system that allows families to move from jurisdiction to jurisdiction without bureaucratic complications. One leading proposal is to require receiving PHAs to simply "absorb" incoming families into their program, so long as spaces remain for families on the PHA waitlist.

►Reauthorization of an improved version of the Regional Opportunity Counseling Program, a multi-city program that helped families move to lower- poverty neighborhoods (defunded in the first two years of the Bush Administration).

►Experimentation with new approaches to cooperation among PHAs operating similar voucher programs in the same metropolitan areas – including financial incentives for PHAs that take steps such as sharing waitlists, adopting common application forms, etc.

►Passage of a new national housing mobility program modeled on the successful Gautreaux Assisted Housing Mobility Program in Chicago. An estimated 50,000 new vouchers per year, dedicated to deconcentrating poverty in 10-15 of America's most severely segregated urban neighborhoods, could have a substantial impact in ameliorating the impacts of concentrated poverty over a ten-year period.

The recent report of the Third National Conference on Housing Mobility: ***Keeping the Promise: Preserving and Enhancing Housing Mobility in the Section 8 Housing Choice Voucher Program***[2] includes a review of the best practices and most promising administrative approaches to promoting housing mobility in the Section 8 voucher program. The main lesson of this report is that housing mobility is feasible, we know how to make it work, and, given the assistance, many families in high-poverty neighborhoods will make a choice to move to safer and higher-opportunity areas. **It is time to restore the promise of choice to the Housing Choice Voucher Program.**

Supported by:
Lawyers Committee for Civil Rights Under Law
Poverty & Race Research Action Council
National Fair Housing Alliance
National Low Income Housing Coalition
Leadership Conference for Civil Rights

2. Report available at www.prrac.org/pdf/KeepingPromise.pdf.

State and Local Organizations in support of statement:

Massachusetts Law Reform Institute (MA)
Metropolitan Boston Housing Partnership (MA)
HomeStart (MA)
City of Boston Fair Housing Commission (MA
Cambridge Eviction Free Zone (MA)
Western Massachusetts Legal Services (MA)
Massachusetts Nonprofit Housing Association (MA)
Lawyers Committee for Civil Rights Under Law
of the Boston Bar Association (MA)
Fair Housing Center of Greater Boston (MA)

Southern California Housing Rights Center (CA)
Fair Housing Council of San Diego (CA)
Housing Integration Set-Aside Task Force (CA)
Project Sentinel (CA)
Fair Housing of Marin (CA)

Fair Housing Justice Center of HELP USA (NY)
Long Island Housing Services (NY)
Anti-Discrimination Center of Metro New York (NY)
Housing Opportunities Made Equal (Buffalo) (NY)
Fair Housing Council of Central New York (Syracuse) (NY)

Housing Action Illinois (IL)
Chicago Area Fair Housing Alliance (IL)
Business and Professional People for the Public Interest (IL)
Lawyers Committee for Better Housing (IL)
Sargent Shriver National Center on Poverty Law (IL)

Fair Housing Advocates Association (OH)
Toledo Fair Housing Center (OH)
Housing Opportunities Made Equal, Cincinnati (OH)
Miami Valley Fair Housing Center (Dayton) (OH)

North Carolina Housing Coalition (NC)
North Carolina Justice Center (NC)
North Carolina Fair Housing Center (NC)

Housing Education Resource Center (CT)
Connecticut Fair Housing Center (CT)

Center for Fair Housing (AL)
Fair Housing Center of Northern Alabama (AL)

Indiana Coalition on Housing and Homeless Issues (IN)
Indianapolis Resource Center for Independent Living (IN)

Greater New Orleans Fair Housing Center (LA)

Fair Share Housing Center (NJ)

Metro Fair Housing Services (GA)

Housing Counseling Services (DC)

Legal Advocacy Center of Central Florida (FL)

Innovative Housing Institute (MD)

Fair Housing Partnership of Greater Pittsburgh (PA)

Housing Opportunities Made Equal of Virginia, Inc. (VA)

Fair Housing of the Dakotas (ND/SD)

Iowa Coalition for Housing & the Homeless (IA)

Intermountain Fair Housing Council (ID)

Mid-Minnesota Legal Assistance (MN)

Metropolitan Milwaukee Fair Housing Council (WI)

Arizona Fair Housing Center (AZ)

Inclusive Communities Project (TX)

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Testimony of
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Council of Large Public Housing Authorities
before the
U.S. House of Representatives
Subcommittee on Housing and Community Opportunity
Committee on Financial Services

March 9, 2007

Madam Chair, Ranking Member and Members of the Subcommittee, my name is Sunia Zaterman and I am the Executive Director of the Council of Large Public Housing Authorities (CLPHA). As you know, CLPHA is a national non-profit public interest organization dedicated to preserving, improving and expanding housing opportunities for low-income families, elderly and disabled. CLPHA's 60 members represent virtually every major metropolitan area in the country; on any given day, they are serving more than one million households. Together they manage almost half of the nation's multi-billion dollar public housing stock, and administer 30 percent of the Section 8 housing assistance program; they are in the vanguard of housing providers and community developers.

I want to thank you for the opportunity today to present CLPHA's views on the Section 8 Voucher Reform Act of 2007 (SEVRA). We believe SEVRA marks a significant step forward in simplifying the administration and funding of the Section 8 Housing Choice Voucher program. We applaud the Subcommittee for taking the initiative to reform and improve this much needed program which provides housing assistance to over two million low-income families.

Before I begin my remarks on the specific provisions of SEVRA, I would first like to thank the Subcommittee for holding these hearings. We welcome this new Congress and your renewed emphasis on the central importance of preserving, protecting and expanding affordable housing opportunities. This is evident by your ambitious legislative agenda, and the early start with which your Subcommittee has begun to work. We look forward to working together with you as partners.

I want to frame my remarks in the context of the budget and program challenges facing public housing authorities (PHAs) today. Over the past six years we have lived with the implementation of Administration policies designed to cripple and dismantle public housing as we know it: from cruel budget cuts, to evisceration and elimination of programs—such as the drug elimination program and HOPE VI—to confusing, conflicting and misguided directives from the Department of Housing and Urban Development (HUD). These Administration policies, like pulling at threads until the whole cloth is unraveled, have forced housing authorities to struggle daily with how to keep their doors open and serve those in need in their communities.

The primary issue confronting public housing is the issue of inadequate resources. For the past several years—even as we watched tax cuts for those who have the most and the cost of two wars spiral out of control—housing authorities have been faced with "death by a thousand cuts." We turn to this new Congress with the hope that we can rely on reasonable federal policies coupled with adequate and predictable funding so that housing authorities can serve their residents efficiently, effectively and compassionately in their local markets. Our housing authorities as public entities are a part of the public trust. And, we take that trust seriously.

Tenants, advocates and housing authorities all have the same goal. We want to create and maintain affordable, livable communities. Our approach and our methods may differ, but our desired outcome is the same. However, to achieve that desired outcome, we need a balanced approach between supply side and demand side programs. While the tenant based voucher program has been very successful in addressing affordability issues for low income households, there is still an urgent need to preserve and increase the supply of affordable housing, particularly in many major metropolitan markets. We urge Congress to provide the resources and tools that enable PHAs to preserve the public housing stock and increase the supply of affordable housing serving very low income households.

Despite a very difficult budget and regulatory environment over the past several years, PHAs have utilized tools like HOPE VI and the Moving to Work program to greatly improve their public housing infrastructure and the delivery and administration of their local programs. This is reflected in the success stories of several PHAs, such as Atlanta, Boston, Chicago, and the District of Columbia.

Program Simplification

We are pleased that the Subcommittee has sought our input on changes to SEVRA. Program simplification and the easing of regulations will make the administration of the public housing and voucher programs easier. In the area of inspections, the bill makes changes that will ease the administration of this important activity. By requiring inspections every two years, the bill will relieve housing authorities of a sometimes redundant administrative burden, while still ensuring that families are housed in safe and decent housing. Also, allowing housing authorities to rely on inspections from governmental agencies further simplifies a complicated inspection process and allows localities to rely on one standard for guaranteeing the suitability and safety of area housing.

Rent simplification is an extremely important issue to our members. Rent setting and income determination decide subsidy levels, which in turn determine the amount of funding housing authorities require from HUD. Administrative changes to make this time-consuming and complicated process easier without impacting funding levels are welcomed by CLPHA and its members. CLPHA remains committed to working with the Subcommittee to realize rent simplification without exacerbating the chronic underfunding of public housing operations. The Congressional Budget Office had estimated that the rent reform and other provisions in last year's SEVRA bill would cost $1.2 billion over five years. Given that public housing is currently operating at an historic low of 83% of operating need, CLPHA has been concerned that these rent reform provisions could lead to further reductions in subsidy and have the unintended effect of resulting in fewer families housed. We appreciate that these concerns have been taken into account and that the bill's costs are significantly lower. We look forward to working

with the Subcommittee on establishing rent simplification provisions that do not place public housing operations at risk.

Voucher Reform

We believe that changes to the voucher funding formula implemented in 2004 have been the primary cause of instability and inefficiency in the voucher program. This "snapshot" formula, and this formula alone, has caused the loss of over 150,000 vouchers. We thank the Subcommittee for introducing a bill that will change how the voucher program is funded, so that these lost vouchers may be restored. We especially support the improvement the Subcommittee has incorporated into the bill that will remove a two-year lag in funding. If this provision had remained in place, the voucher program would have remained unpredictable and unstable to both housing authorities and the families they serve. We are pleased that the Subcommittee has introduced a formula that will be more accurate because it is based on leasing and cost data from the preceding calendar year.

The voucher formula presented in this new version of SEVRA is a good first step in providing housing authorities with the tools they will need to remain in the business of housing families. CLPHA further believes that in order for housing authorities to better meet local needs, several issues should first be resolved.

Delay Recapture

The bill indicates that unspent voucher funds will be recaptured on December 31, 2007. CLPHA is concerned that the timeline for recapturing any remaining unspent funds will pose problems for PHAs just ramping up leasing operations. With the twelve-month funding formula that will be implemented in FY 2007, PHAs will have an opportunity to begin spending these dollars to serve families on their waiting lists and to make up losses in funding eligibility.

However, HUD has yet to tell PHAs how much money they will receive under the new twelve-month formula and PHAs are very concerned about implementing aggressive lease up plans without knowing how much money will be available to cover new voucher obligations. With the recapture looming at the end of the year, housing authorities are running out of time to adjust to the formula and to begin housing additional families before these funds are recaptured. These funds are critical to the success of the new funding formula and PHAs need time to reestablish their leasing programs before they are deprived of these dollars.

CLPHA recommends delaying the recapture of unspent voucher funds until the end of Calendar Year 2008. A one year delay would give PHAs enough time to increase leasing, spend down fund balances, and to align their programs to the new formula. Such a delay will allow housing authorities to stabilize their voucher programs and ultimately serve more low-income families.

Limited Recapture Exceptions

Even with a delay in the recapture, CLPHA recognizes that there may be situations in which a PHA needs a higher level of funding than may be available through reallocation. The Subcommittee should provide limited exceptions for recapture for PHAs that need a higher level of funding in order to lease-up vouchers.

Given the level of unspent funds in the program, some PHAs have taken steps to increase their leasing levels. These PHAs have made commitments in their communities that they will increase leasing by a certain percentage or house a certain number of families. A recapture could derail such plans, even if the PHA is making progress towards meeting its goal. The Subcommittee should establish exceptions for PHAs that have defined plans to increase leasing so that they may follow through on their commitments. Funding available from reallocation may not be useful for these housing authorities because there is no guarantee that they will receive adequate funding to implement their leasing plan.

Reallocation – Clear and Fair Guidance

The reallocation will be a critical source for many housing authorities to lease up new vouchers. However, housing authorities need clear guidance about how they can receive these funds and this guidance must ensure that all housing authorities have fair access to this vital resource. CLPHA thanks the Subcommittee for removing the 99 percent spending threshold for eligibility for recaptured funds. This level would have been difficult for PHAs in tight rental markets to obtain. The bill would give priority for voucher funding to PHAs "based on the extent to which an agency has utilized the amount allocated… to serve families." CLPHA urges the Subcommittee to establish a realistic and transparent standard that provides fair access to this critical funding source for all PHAs.

Reserves

Most importantly, CLPHA strongly endorses the Subcommittee's inclusion of a one-month reserve for the first year of the formula. The one-month reserve level is necessary for prudent financial stewardship of the voucher program. Essentially, an adequate and stable reserve allows housing authorities to protect against risk in a program fraught with risk. Large housing authorities serving large metropolitan areas must often deal with fluctuations in the number of landlords, the cost of rent, and other market factors beyond their control.

A one-month reserve helps housing authorities to mitigate this risk. Ready access to a limited, yet sufficient cache of funds allows housing authorities to protect the families they serve from market fluctuations and permanent cost increases. In addition, the one-month level is crucial because, in the event HUD fails to make timely payments to housing authorities, they can still cover one month's Housing Assistance Payment to landlords. In short, a one-month reserve is important for financial management, landlord relations, and the overall success of the voucher program. CLPHA strongly encourages the Subcommittee to allow PHAs to maintain a one-month reserve during each year of the program.

Moving to Work

While the bill does not yet include a section on the Moving to Work (MTW) program, we are hopeful the final version of the bill will include provisions to permanently authorize and expand the program. MTW was conceived from a simple premise, what would happen if a public housing authority could develop locally driven housing plans in concert with their residents and community stakeholders that responded to local housing needs?

The current MTW agencies administer over 130,000 public housing and 230,000 Section 8 units, or more than 10% of the current housing stock. Examples across the country in cities like Seattle, Cambridge, and Portland show how these local plans are better able to respond to local housing needs. A review of the current MTW PHAs shows that they have raised the standard of housing services, used program flexibility to create jobs, added affordable housing stock, served more households, and helped families build savings. They have also shown how to operate and manage in way that is accountable to their residents and local communities without needless and time-consuming HUD bureaucratic measures that add costs but no value. MTW is a laboratory for local innovation and more housing authorities should have access to these tools.

We believe that MTW can be authorized and expanded while ensuring that there are no reductions in the number of very low income households served. We also believe that an expansion of MTW will enable more PHAs to be innovative in preserving, protecting and increasing the supply of affordable housing. Furthermore, current locally-approved MTW agreements should be protected to avoid disruption, honor existing commitments and promote consistency. Concerns regarding tenant protections, targeting, and rigorous evaluation should be addressed. That is why we have submitted comments and suggested changes modifying the original SEVRA bill to address these concerns. We also suggest a name change from MTW to the "Public Housing Community Opportunity Program," in order to more accurately reflect the purpose and objectives of the program.

We appreciate the Subcommittee's dedication and hard work to reform the voucher program and for the initiatives in the revised SEVRA. We look forward to further working with you on these and other issues. We again thank you for this opportunity to testify.